



BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Application of Madison Gas and Electric Company for Authority to
Change Electric and Natural Gas Rates

3270-UR-115

FINAL DECISION

This is the Final Decision regarding the application of Madison Gas and Electric Company (MGE) for authority to change electric and natural gas rates on January 1, 2008. Final overall rate changes are authorized consisting of a \$16,248,000 annual rate increase for electric utility operations, a 4.78 percent increase, and a \$7,781,000 annual rate increase for natural gas utility operations, a 2.76 percent increase, for the test year ending December 31, 2008.

Introduction

On May 7, 2007, MGE filed an application with the Commission requesting authority to increase its electric utility rates by \$19,636,000, a 5.75 percent increase, and to increase its natural gas rates by \$9,131,000, a 3.73 percent increase, to be effective January 1, 2008. MGE subsequently revised its electric request to \$31,290,000, incorporating the following changes: (1) updated fuel and purchased power costs, in the amount of \$8,500,000, based on the 12-month NYMEX strip prices on June 15, 2007; (2) the revenue requirement impact relating to Wisconsin Power and Light Company's (WP&L) proposed change in depreciation rates for Columbia Units 1 and 2, in the amount of \$1,697,000; (3) the cost for Midwest Independent Transmission System Operator's (MISO) new Schedule 26 charge, in the amount of \$1,235,000; (4) an updated estimate of property/boiler and machinery insurance, in the amount of \$122,000; and

(5) increased fuel and purchased power costs, in the amount of \$100,000, resulting from WP&L changing the planned outage at Columbia Unit 2.

Shortly thereafter, MGE also reduced its request for additional electric revenues by \$526,000 because of the following changes: (1) lowering the revenue requirement impact relating to WP&L's proposed change in Columbia depreciation rates by \$316,000; (2) withdrawing MGE's request to increase fuel and purchased power costs because of WP&L's change in the planned outage at Columbia Unit 2; (3) withdrawing MGE's request to increase property/boiler and machinery insurance and requesting a \$63,000 reduction to the forecasted cost of this insurance; and (4) requesting a \$75,000 increase in medical and post-retirement medical costs.

Finally in its rebuttal testimony, MGE requested that the impact of the Commission's fuel surcharge order in docket 3270-FR-101, *Application of Madison Gas and Electric Company for Authority to Increase Electric Rates Established in Docket 3270-UR-114, Due to an Increase in 2007 Fuel Costs* (August 30, 2007), be incorporated in this proceeding. This request had the effect of reducing MGE's forecasted electric sales revenue in this proceeding in the amount of \$3,248,000 and increasing MGE's revenue deficiency by a corresponding amount.

MGE's overall revised request results in a \$34,012,000 increase, 9.99 percent, in revenues for electric utility operations.

On July 23, 2007, a prehearing conference was held to determine the issues that would be addressed in this docket and to establish a schedule for the hearing. The Commission held hearings for public comment on October 4, 2007, and a technical hearing to receive evidence from parties and Commission staff on October 5, 2007.

The Commission considered this matter at its open meeting on November 8, 2007.

The parties for purposes of review under Wis. Stat. §§ 227.47 and 227.53 are listed in Appendix A. Others who appeared are listed in the Commission's files.

Findings of Fact

1. It is reasonable to reflect \$491,000 of estimated test year cost savings due to the MISO's anticipated June 1, 2008, implementation of its Ancillary Services Market (ASM).

2. It is reasonable in this proceeding to reflect a decrease to fuel costs of approximately \$7,110,000 to update fuel costs for the impact of the New York Mercantile Exchange (NYMEX) natural gas futures strip as of October 15, 2007.

3. Fuel cost adjustments that decrease test year total fuel costs by \$3,160,000 and increase monitored fuel costs by \$625,000 relative to MGE's filed level are reasonable.

4. Test year total fuel costs of \$129,849,839 are reasonable.

5. A test year fuel rules cost of monitored fuel of \$119,094,430 is reasonable.

6. It is reasonable to monitor fuel costs using the following ranges: (1) plus or minus 8 percent monthly; (2) cumulative monthly ranges of plus or minus 8 percent for the first month, plus or minus 5 percent for the second month, and plus or minus 2 percent for the remaining months of the year; and (3) plus or minus 2 percent for the annual range.

7. MGE shall calculate the return on carrying costs on Elm Road Generating Station (ERGS) construction expenditures at the short-term debt rate approved in this docket. MGE shall also calculate the return on management fees, community impact mitigation costs, and 2007 operation and maintenance (O&M) expenses associated with ERGS at the short-term debt rate approved in this docket.

8. It is reasonable to authorize MGE escrow accounting treatment for billing charges from its affiliate MGE Power Elm Road, LLC (MGEPER) relating to MGE's share of ERGS O&M expenses that began in 2007.

9. It is reasonable for MGE to continue accounting for billing charges from MGEPER for its share of carrying costs on ERGS construction expenditures, management fees, and community impact mitigation costs on an escrow basis.

10. The level of billing charges from MGEPER relating to ERGS costs recoverable in rates for the test year is \$12,103,445. This consists of carrying costs on construction expenditures in the amount of \$9,571,000, community impact mitigation costs in the amount of \$237,405, management fees in the amount of \$184,841, and 2007 and 2008 O&M expenses in the amount of \$2,110,199.

11. It is reasonable to reclassify balancing authority labor costs from a utility O&M expense to a balance sheet account for ratemaking purposes.

12. MGE shall report to the Commission identifying the extent of the challenges regarding workforce planning, the specific actions that MGE is taking to address the issue, and the progress MGE is making toward meeting those goals.

13. Since the Commission has not yet issued an order in docket 6680-DU-104, it is reasonable to defer MGE's revenue requirement impact relating to WP&L's proposed change in depreciation rates applicable to Columbia Units 1 and 2 to the 2009 limited reopening of MGE's rates.

14. It is reasonable to include the cost resulting from MGE updating its estimate of property/boiler and machinery insurance in MGE's electric and natural gas revenue requirement.

15. It is reasonable to include the cost resulting from MGE updating its estimate of medical/hospital insurance and post-retirement medical costs in MGE's electric and natural gas revenue requirement.

16. It is reasonable to include the cost associated with a new MISO Schedule 26 charge (Network Upgrade Charge from Transmission Expansion Plan) in MGE's electric revenue requirement.

17. It is reasonable to incorporate the September update of American Transmission Company's (ATC) network service charge in MGE's electric revenue requirement.

18. It is reasonable to include the impacts of the Final Decision in docket 3270-FR-101 in MGE's electric revenue requirement.

19. A limited reopening of MGE's rates for 2009 is reasonable.

20. A reasonable level of expensed conservation costs recoverable in rates for the test year is \$7,061,555 for electric operations and \$5,388,551 for natural gas operations. The level for electric operations consists of the conservation budget in the amount of \$6,396,555 plus an escrow adjustment of \$665,000, which represents the amortization of the projected overspent balance at December 31, 2007, over a two-year period. The level for natural gas operations consists of the conservation budget in the amount of \$4,824,551 plus an escrow adjustment of \$564,000, which represents the amortization of the projected overspent balance at December 31, 2007, over a two-year period.

21. It is reasonable to continue accounting for allowable electric and gas conservation expenditures on an escrow basis.

22. It is reasonable to include all uncontested Commission staff adjustments to MGE's filed operating income statements and average net investment rate bases in the test year.

23. At present rates, the estimated electric utility net operating income for the test year is \$28,487,000. The estimated net operating income applicable to natural gas utility operations for the test year at present rates is \$6,813,000.

24. The estimated average net investment rate base applicable to electric utility operations is \$421,081,000. The average net investment rate base applicable to natural gas utility operations is \$126,241,000.

25. The pro forma rate of return on average net investment rate base at present rates for electric utility operations for the test year is 6.77 percent. For natural gas utility operations, the pro forma rate of return at present rates for the test year is 5.40 percent.

26. It is reasonable for MGE to maintain a common equity ratio for ratemaking purposes of approximately 57 percent. A reasonable ratemaking capital structure for the test year is 57.36 percent common equity, 36.89 percent long-term debt, and 5.75 percent short-term debt.

27. A reasonable estimate of the cost of long-term debt, including the cost of the new long-term issues, for the test year is 6.18 percent. This rate is based in part on a 2007 long-term debt issuance at a cost rate of 6.247 percent (actual), and a 2008 long-term debt issuance at a cost rate of 5.95 percent (projected).

28. A reasonable estimate of the cost of short-term debt for the test year is 4.83 percent.

29. It is reasonable to set the fair return on equity based on proper estimates of the cost of equity and regulatory financial policy. A reasonable fair return on equity for MGE's test year is 10.80 percent.

30. A reasonable weighted average composite cost of capital is 8.75 percent.

31. It is reasonable for MGE to earn a current return on 50 percent of test year construction work in progress (CWIP), and for the remaining CWIP to accrue allowance for funds used during construction (AFUDC) at the adjusted weighted cost of capital.

32. A reasonable test year rate of return on average net investment rate base for electric utility operations is 9.08 percent. For natural gas utility operations a reasonable test year rate of return on average net investment rate base is 9.09 percent.

33. To produce a return of 9.08 percent on average net investment rate base in the test year, MGE's operating revenue requirement for electric utility operations is \$365,834,000. The revenue requirement for natural gas utility operations, to produce a return of 9.09 percent on average net investment rate base in MGE's test year, is \$289,988,000.

34. Present rates for electric utility operations will produce operating revenues of \$349,586,000, which results in an annual revenue deficiency of \$16,248,000. Present electric rates of MGE are unreasonable because the revenues produced by these rates are inadequate.

35. Present rates for natural gas utility operations will produce operating revenues of \$282,207,000, which results in an annual revenue deficiency of \$7,781,000. Present natural gas rates of MGE are unreasonable because the revenues produced by these rates are inadequate.

36. To provide operating revenues to cover total cost of service for the test year, an increase in revenue applicable to electric utility operations in the amount of \$16,248,000 is required. For natural gas utility operations, an increase in the amount of \$7,781,000 is required. These increases in electric and natural gas utility rates are reasonable.

37. It is reasonable to modify the Gas Cost Recovery Mechanism (GCRM) as discussed in the Opinion section of this Final Decision. It is reasonable for the modifications to take effect November 1, 2008.

38. It is reasonable to require that MGE receive Commission staff's acceptance of any changes to MGE's 2008 customer service conservation activities before MGE implements them.

39. It is appropriate for MGE to work with Commission staff to develop measures of success for its 2008 customer services conservation activities, using 2007 measures of success as a starting point.

40. It is reasonable to rely on the results of one or more cost-of-service studies (COSS) along with other factors, such as bill impacts, when allocating revenue responsibility.

41. It is appropriate to require that MGE work with Commission staff to collect more information about the production cost allocator to assist the Commission in its decision-making process. It is reasonable to require that MGE present this information in its next rate case application.

42. It is reasonable to approve rates for electric service and for natural gas service for the test year to achieve customer class changes in revenue, as shown in Appendices B and C.

43. The standard electric buyback rates shown in Appendix B are reasonable.

44. The proposed Pg-4 Experimental Photovoltaic Parallel Generation service schedule is reasonable.

45. A green pricing premium of 1¢ per kWh is reasonable.

46. The changes proposed by MGE to the Business Renewable Energy Program service schedule are reasonable.

Conclusions of Law

1. MGE is an electric and natural gas public utility as defined in Wis. Stat. § 196.01(5)(a).

2. The Commission has jurisdiction under Wis. Stat. §§ 1.12, 196.02, 196.025, 196.03, 196.19, 196.20, 196.21, 196.37, 196.374, 196.395, and 196.40 and Wis. Admin. Code chs. PSC 113, 116, and 134 to enter an order authorizing MGE to place in effect the rates and rules for electric and natural gas utility service set forth in Appendices B and C, and the fuel cost treatment set forth in Appendix D, subject to the conditions specified in this Final Decision. Such rates and rules for electric and natural gas utility service in Appendices B, C, and D are reasonable and appropriate as a matter of law.

Opinion

MGE and Its Business

MGE is engaged in the production, transmission, distribution, and sale of electric energy to approximately 137,000 retail customers in Madison and the surrounding area in Dane County, and in the purchase, transportation, distribution, and sale of natural gas to approximately 138,000 customers in Madison and the surrounding area in Dane County, as well as in Columbia, Crawford, Iowa, Juneau, Monroe, and Vernon Counties. MGE is an operating subsidiary of MGE Energy, a holding company based in Madison, Wisconsin.

Income Statement

MGE, intervenors, and Commission staff presented testimony and exhibits at the hearing concerning estimates of MGE's 2008 electric and natural gas utility operations. Significant issues pertaining to the income statement are addressed separately below.

Fuel Costs

Commission staff adjusted MGE's fuel costs to reflect the cost savings associated with MISO's anticipated implementation of its ASM on June 1, 2008. Commission staff estimated the test year cost savings by multiplying MISO's estimate of system-wide annual net benefits by

MGE's load ratio share to arrive at MGE's estimated savings on an annual basis, and then multiplying by 7/12 to arrive at MGE's estimated test year fuel cost savings due to MISO implementing the ASM.

In rebuttal testimony, MGE stated that the Commission should not accept this adjustment, or at a minimum reduce the adjustment to reflect a September 1, 2008, implementation date, due to MISO's history of delays in implementing markets and the tight timeline of events that must occur in order for MISO to implement the ASM on June 1, 2008. Commission staff responded stating that as MISO had not indicated any intent to delay the ASM implementation date past June 1, 2008, that it would not propose any change to its adjustment reflecting MGE's test year estimated cost savings due to the implementation of the ASM. Commission staff did, however, propose that if MISO were to announce a delay in implementation, MGE be allowed to file an exhibit documenting any such delay, and reflecting the impact on the estimated ASM cost savings due to any such delay.

As no such exhibit was received, and as MISO has not announced its intent to delay implementation of its ASM, or missed any milestones required for implementation, the Commission accepts Commission staff's proposed adjustment to reflect the estimated cost savings associated with MISO's implementation of its ASM. It is reasonable to reflect \$491,000 of estimated fuel cost savings due to MISO's implementation of its ASM, in MGE's test year revenue requirement.

Commission staff based its estimate of natural gas-fired and purchased power costs on more current NYMEX natural gas futures prices, which increased the electric revenue requirement by approximately \$8.5 million. On October 31, 2007, MGE filed a delayed exhibit reflecting a decrease of \$7,110,000 million to fuel costs resulting from updating the NYMEX natural gas futures strip from the June 15, 2007, futures strip used by Commission staff, to the

October 15, 2007, futures strip, which was the most recent available mid-month NYMEX natural gas futures strip. The Commission considers this fuel cost decrease to be reasonable. The Commission also considers Commission staff's fuel cost adjustments, which decrease test year total fuel costs by \$3,160,000 and increase monitored fuel costs by \$625,000 relative to MGE's filed level, to be reasonable.

The Commission finds that a reasonable test year level of fuel costs is \$129,849,839. A reasonable test year level of monitored fuel costs is \$119,094,430, which reflects the cost of generation and purchased energy, less the revenues from opportunity sales of energy and capacity. This test year fuel cost divided by the test year estimate of native energy requirements of 3,483,170 MWh results in an average net fuel cost per kWh of \$0.03419.

Any cost for purchased capacity that is required to meet reserve requirements is excluded from monitored fuel rules costs and may only be adjusted in a rate case. Firm transmission associated with excluded capacity purchases, fuel and ash handling, and sulfur dioxide (SO₂) allowance costs are excluded as well. Appendix D shows the monthly fuel costs to be used for monitoring purposes.

Under Wis. Admin. Code § PSC 116.04, the Commission establishes monthly and annual variance ranges for monitoring fuel forecasts. The Commission finds it is reasonable to continue to monitor MGE's fuel costs using the following ranges: (1) plus or minus 8 percent monthly; (2) cumulative monthly ranges of plus or minus 8 percent for the first month, plus or minus 5 percent for the second month, and plus or minus 2 percent for the remaining months of the year; and (3) plus or minus 2 percent for the annual range.

The method of applying these ranges, established in prior Commission decisions for MGE, shall continue to be used and applied, using the data in Appendix D for monitoring fuel costs.

Return on Carrying Costs on ERGS Construction Expenditures

In docket 3270-UR-114, MGE's last rate case proceeding, the Commission found MGE's proposal to collect 2005 and 2006 carrying costs on ERGS construction expenditures over two years to be reasonable. The Commission ordered MGE to calculate the return on these costs, as well as on management fees and community impact mitigation costs associated with ERGS, on the average monthly balance at the short-term debt rate approved in that docket.

In this proceeding, MGE proposed to collect 2007 and the true-up of 2005 and 2006 carrying costs on ERGS construction expenditures over two years. In addition, MGE proposed to collect the 2008 carrying costs on ERGS construction expenditures over four years in order to lower the rate impact to its customers. Consistent with the order in docket 3270-UR-114, Commission staff calculated the return on carrying costs on ERGS construction expenditures, as well as on management fees, community impact mitigation costs, and 2007 O&M expenses associated with ERGS, at Commission staff's estimated short-term debt rate. In rebuttal testimony, MGE testified that because its recovery of the 2008 cost will be spread over four years, it should earn a return on these costs at the economic cost of capital, which is a long-term rate as opposed to the short-term debt rate.

The Commission continues to find it reasonable that MGE calculate the return on carrying costs on ERGS construction expenditures at the short-term debt rate approved in this docket. The Commission also finds it reasonable that MGE calculate the return on management fees, community impact mitigation costs, and 2007 O&M expenses associated with ERGS at the short-term debt rate approved in this docket.

Escrow Accounting for ERGS O&M Expenses

In docket 3270-UR-114, the Commission authorized MGE to account for billing charges from its affiliate MGEPER for its share of carrying costs on ERGS construction expenditures,

management fees, and community impact mitigation costs on an escrow basis. In this proceeding, MGE has requested that 2007 and 2008 ERGS O&M expenses also be escrowed. The Commission agrees and authorizes MGE to escrow billing charges from its affiliate MGEPER for its share of the ERGS O&M expenses that began in 2007. It is also reasonable for MGE to continue accounting for billing charges from MGEPER for its share of carrying costs on ERGS construction expenditures, management fees, and community impact mitigation costs on an escrow basis.

The level of billing charges from MGEPER relating to ERGS costs recoverable in rates for the test year is \$12,103,445. This consists of carrying costs on construction expenditures in the amount of \$9,571,000, community impact mitigation costs in the amount of \$237,405, management fees in the amount of \$184,841, and 2007 and 2008 O&M expenses in the amount of \$2,110,199.

Ratemaking Treatment for Schedule 24 Balancing Authority Labor Costs

MGE's initial filing included \$541,000 of Schedule 24 balancing authority labor costs in FERC Account 561, Load Dispatching, and \$427,600 of balancing authority labor reimbursements that MGE subsequently updated to \$509,700. The labor reimbursements included in the test year relate to labor costs that were included in MGE's base rates in prior years. Commission staff decreased transmission expenses by \$541,000 to reclassify the balancing authority labor costs, which MGE subsequently bills MISO, from a utility O&M expense to a balance sheet account for ratemaking purposes.

MGE indicated that as a condition for reimbursement, MISO requires that Schedule 24 charges be recorded as a balancing authority cost in FERC Account 561. MGE contends that transferring these costs to a balance sheet account will jeopardize its ability to recover the costs from MISO.

Commission staff proposed that MGE reclassify the balancing authority costs to a balance sheet account only for ratemaking purposes, not on MGE's books. This adjustment is similar to others the Commission makes, such as adjustments to dues. While utilities generally include dues in an O&M expense account, the Commission considers a portion of these dues as a below-the-line cost for ratemaking purposes. The Commission therefore finds it appropriate to reclassify balancing authority labor costs from a utility O&M expense to a balance sheet account for ratemaking purposes.

Comprehensive Workforce Planning

IBEW Local 2304 requested that the Commission: (1) require MGE to prepare and submit for Commission review a ten-year written plan relating to comprehensive workforce planning; (2) approve whatever revenue may be necessary for MGE to engage in the recruitment retention, hiring, and training that are necessary components of its comprehensive workforce plan; and (3) require that MGE's efforts are verifiable with objective results and are subject to review in this test year and again in a subsequent year.

MGE testified that its current planning horizon is from five to eight years and that planning for projected turnover and staffing levels beyond eight years is too uncertain. MGE noted that the Commission has partnered with the Department of Workforce Development in bringing the utilities, labor unions, and other parties together to discuss workforce planning issues and that these broader, more generic forums, involving a whole range of stakeholders, are the appropriate means of addressing Commission concerns regarding comprehensive workforce planning.

The Commission agrees with IBEW Local 2304 that this issue must be addressed, which is why it is presently focusing on the problem in conjunction with the Wisconsin Department of Workforce Development. This work group should complete its deliberations and issue

recommendations shortly. The Commission finds it reasonable to require that MGE report to Commission staff in 2008, identifying the workplace challenges it is facing, the actions it is and will be taking to address these challenges, and the progress MGE is making toward meeting its goals. In its report, MGE shall also explain how it is implementing any recommendations from the work group. If MGE is not implementing one of these recommendations, it shall explain why, and what it is doing in the alternative. Commission staff may ask MGE to provide portions of this report in writing as needed.

WP&L's Proposed Change in Depreciation Rates for Columbia Units 1 And 2

On May 23, 2007, WP&L filed an application with the Commission requesting a change in depreciation rates in docket 6680-DU-104, *Application of Wisconsin Power and Light Company for Change in Book Depreciation Rates*. WP&L's proposal includes an increase in depreciation rates applicable to Columbia Units 1 and 2, of which MGE is a joint owner.

In supplemental direct testimony, MGE indicated that Commission approval of the proposed change in depreciation rates for WP&L's Columbia plant would increase depreciation expense by \$1,776,000, partially offset by a decrease in rate base resulting in a net increase of \$1,697,000 in MGE's electric revenue requirement. MGE requested that this amount be included in its revenue requirement and proposed that if the Commission granted MGE's request, the increase should be subject to refund for any portion of the test year prior to the Commission's final approval of WP&L's proposed change in depreciation rates in docket 6680-DU-104. In additional testimony, MGE reduced its request to \$1,381,000.

Commission staff modified the company's request by proposing that if an order is issued in docket 6680-DU-104 prior to the Commission's decision in this proceeding, the results of that order relating to WP&L's Columbia plants should be incorporated in this docket. Because the Commission has not yet issued a depreciation order in WP&L's proceeding, which means

changes in depreciation rates and their rate impact remain uncertain, the Commission finds it reasonable to defer MGE's revenue requirement impact relating to the proposed change in depreciation rates applicable to Columbia Units 1 and 2 to the 2009 limited reopener.

Property/Boiler and Machinery Insurance

MGE's filed estimate for property/boiler and machinery insurance (excluding the West Campus Cogeneration Facility and the Top of Iowa 3 Wind Generating Facility) was \$847,000, reflecting a 50 percent increase for its September 1, 2007 through August 31, 2008, premium and a 15 percent increase for its September 1, 2008 through August 31, 2009, premium. Due to the lack of support from MGE's insurance carrier, Commission staff reduced the September 1, 2007 through August 31, 2008, premium increase to 15 percent. Commission staff's proposal reduced MGE's filed estimate by \$185,000.

In supplemental direct testimony, MGE indicated that it had received a more recent quote from its insurance carrier that increased the test year cost by approximately \$122,000 above MGE's filed estimate. MGE then proposed to control this cost increase by doubling the deductible on its policy, thereby saving \$185,000. MGE subsequently withdrew its request for the additional \$122,000 and also agreed to an adjustment that would reduce its filed amount by \$63,000. Commission staff agreed, also recommending that MGE's filed estimate be reduced by only \$63,000 (increasing Commission staff's proposed electric revenue requirement by \$117,000 and its proposed natural gas revenue requirement by \$5,000). The Commission concurs, finding that MGE's current estimate in the amount of \$784,000 (\$847,000 - \$63,000) is reasonable for the 2008 test year.

Medical/Hospital Insurance and Post-Retirement Medical Costs (FASB 106)

Commission staff proposed a decrease in MGE's forecasted post-retirement medical costs of \$151,000, reflecting Commission staff's discount rate assumption and O&M percentage, and

proposed an increase in MGE's filed level for medical/hospital insurance costs of \$88,000, reflecting Commission staff's O&M percentage. These adjustments resulted in a net decrease of \$63,000 for these two items.

MGE introduced supplemental testimony that it had reached an agreement in principle with its carriers on health insurance rates, which also allowed it to calculate post-retirement medical costs more accurately. Based on these updated estimates, MGE requested that an additional \$75,420 be added to its revenue requirement. Commission staff agreed with these calculations.

The Commission concurs. As a result, Commission staff's proposed electric revenue requirement is increased by \$88,000 and its natural gas revenue requirement is increased by \$50,000 for a total increase of \$138,000. MGE's updated estimates for medical/hospital insurance and post-retirement medical costs are reasonable for the 2008 test year.

MISO Schedule 26 Charge

MGE requested that \$1,235,000 be added to its initially-filed electric revenue requirement for a new MISO Schedule 26 charge, known as MISO's Network Upgrade Charge from Transmission Expansion Plan. This charge pertains to MISO's sharing of costs for new transmission facilities. Including this cost in the electric revenue requirement is reasonable.

September Update for ATC Network Service Fee

MGE's filing included an estimate of \$22,050,000 for the ATC network service fee. MGE's estimate was based on information provided by ATC in January 2007. At the hearing, MGE indicated that ATC had recently provided a late-September update, showing that the network service fee will be \$22,406,000. Incorporating ATC's current estimate of the ATC network service charge in the test year, which increases the electric revenue requirement by \$356,000, is reasonable.

Test Year Impacts Resulting from the Final Decision in Docket 3270-FR-101

In this proceeding, MGE and Commission staff both estimated test year sales based on MGE's prior rates approved in the Final Decision in docket 3270-UR-114, plus the surcharge the Commission authorized in the Interim Order in docket 3270-FR-101, *Application of Madison Gas and Electric Company for Authority to Increase Electric Rates Established in Docket 3270-UR-114, Due to an Increase in 2007 Fuel Costs* (April 26, 2007).

On August 30, 2007, the Commission issued its Final Decision in docket 3270-FR-101. In rebuttal testimony, MGE requested that the impacts of that Final Decision be incorporated in this proceeding. Based on Commission staff's estimate of test year sales, which MGE did not contest, the Final Decision in docket 3270-FR-101 lowered electric revenues at present rates by \$3,268,000. This decrease in present revenues also lowers Commission staff's estimate of electric uncollectible accounts expense by \$14,000. The Commission finds it appropriate to include the impacts of the Final Decision in docket 3270-FR-101 in this proceeding, which results in a \$3,254,000 net increase in MGE's electric revenue deficiency.

Rate Case Reopening for Test Year 2009

MGE indicated it would consider foregoing a 2009 rate case if certain issues could be addressed in a limited rate reopening for test year 2009. MGE identified the following issues for such a reopening related to electric operations: (1) monitored fuel rules costs; (2) escrow adjustment for 2005 Wisconsin Act 141 (Act 141) costs; (3) ERGS lease payments and other O&M expenses resulting from ERGS Unit 1 becoming operational in 2009; (4) updated ATC network service fees; (5) update for changes to pension, medical, and supplemental retirement costs; and (6) adjustment to recover environmental cost increases at Columbia. The items for a reopening that MGE identified relating to natural gas operations were: (1) update to cover the

increase in Act 141 funding and (2) update for changes to pension, medical, and supplemental retirement costs.

In rebuttal testimony, MGE withdrew its request to include Act 141 costs (electric and natural gas), since they are being escrowed, and withdrew its request to include environmental cost increases at Columbia in light of the Commission's recent approval of deferral accounting for these costs. However, MGE requested that it be allowed to accrue carrying costs at the adjusted weighted cost of capital on 100 percent of environmental upgrades at the Columbia Energy Center upon the Commission's approval of these upgrades, until the effective date of the Final Decision in MGE's next full rate case. MGE also requested that the 2008 and 2009 balancing authority labor reimbursements, totaling \$682,900, be amortized over two years if the Commission approves a 2009 limited rate reopening. At the hearing, MGE requested that its share of 2009 incremental O&M expenses relating to the reduction of mercury emissions at the Columbia Generating Station be added to the issues to be considered in a 2009 rate reopening.

Intervenor Robert Owen suggested that the Commission include certain rate design reforms in a 2009 rate reopening if it approves rate design changes in this proceeding, but finds it necessary to delay implementation for some short-term reason such as to collect more data.

The Commission agrees that a 2009 limited rate reopening is reasonable, for the following items: (1) monitored fuel rules costs; (2) ERGS lease payments and other O&M expenses resulting from ERGS Unit 1 becoming operational in 2009; (3) updated ATC network service fees; (4) the accrual of carrying costs at the adjusted weighted cost of capital, for future environmental upgrades at the Columbia Energy Center upon the Commission's approval of the upgrades, until the effective date of the Final Decision in MGE's next full rate case; and (5) a review of MGE's rate design to provide price signals for reducing greenhouse gas emissions.

Conservation Budget and Escrow Adjustment

A reasonable level of expensed conservation costs recoverable in rates for the test year is \$7,061,555 for electric operations and \$5,388,551 for natural gas operations. The level for electric operations consists of the conservation budget in the amount of \$6,396,555 plus an escrow adjustment of \$665,000, which represents the amortization of the projected overspent balance at December 31, 2007, over a two-year period. The level for natural gas operations consists of the conservation budget of \$4,824,551 plus an escrow adjustment of \$564,000, which represents the amortization of the projected overspent balance at December 31, 2007, over a two-year period. Included in the electric conservation budget is \$3,526,000 related to Act 141 energy efficiency and renewable resource funding requirements. The natural gas conservation budget includes \$2,440,000 related to Act 141 requirements. It is reasonable to require MGE to continue accounting for allowable conservation expenditures on an escrow basis.

Summary of Operating Income Statements at Present Rates

In addition to the Commission's findings regarding specific items discussed in this opinion, the Commission agrees that all other uncontested Commission staff adjustments to MGE's filed operating income statements are reasonable and just. Accordingly, the estimated electric and natural gas utility operating income statements at present rates for the test year, which are reasonable for the purpose of determining the revenue requirements in this proceeding, are as follows:

	Electric (000's)	Natural Gas (000's)
Operating Revenues		
Sales of Electricity	\$340,127	\$ -
Sales for Resale	7,981	-
Sales of Gas	-	281,529
Other Operating Revenues	<u>1,478</u>	<u>678</u>
Total Operating Revenues	<u>\$349,586</u>	<u>\$282,207</u>
Operating Expenses		
Steam Power Generation Expenses	\$118,876	\$ -
Other Power Generation Expenses	5,099	-
Other Power Supply Expenses	64,714	-
Manufactured Gas Production Expenses	-	391
Purchased Gas Expenses	-	224,236
Transmission Expenses	25,829	-
Distribution Expenses	12,412	7,561
Customer Accounts Expenses	6,713	5,634
Customer Service Expenses	8,255	6,578
Administrative & General Expenses	<u>29,416</u>	<u>16,205</u>
Total Operation & Maintenance Expenses	\$271,314	\$260,605
Depreciation and Amortization Expense	28,246	9,710
Taxes Other Than Income Taxes	13,097	3,527
Deferred Income Taxes	5,150	(532)
State Income Taxes	957	377
Federal Income Taxes	2,523	1,870
Investment Tax Credit	<u>(188)</u>	<u>(163)</u>
Total Operating Expenses	<u>\$321,099</u>	<u>\$275,394</u>
Net Operating Income	<u>\$ 28,487</u>	<u>\$ 6,813</u>

Summary of Average Net Investment Rate Bases

Commission staff proposed a number of adjustments to MGE's filed electric and natural gas utility average net investment rate bases. No party opposed these adjustments and the Commission finds them reasonable. Accordingly, the estimated electric and natural gas average net investment rate bases for the test year, which are reasonable for the purpose of determining the revenue requirements in this proceeding, are as follows:

	Electric (000's)	Natural Gas (000's)
Utility Plant in Service	\$775,089	\$282,246
Less: Reserve for Depreciation	<u>303,945</u>	<u>160,670</u>
Net Utility Plant	\$471,144	\$121,576
Add: Fuel Inventory	5,403	-
Stored Gas	-	20,857
Materials and Supplies	11,486	1,865
Less: Accumulated Deferred Income Taxes	65,841	15,795
Customer Advances for Construction	<u>1,111</u>	<u>2,262</u>
Average Net Investment Rate Base	<u>\$421,081</u>	<u>\$126,241</u>

Pro Forma Rate of Return

At present rates, the net operating income for the test year ending December 31, 2008, would result in a rate of return on the average net investment rate base of 6.77 percent for electric utility operations and 5.40 percent for natural gas utility operations. As described below, this rate of return is unreasonably low.

Financial Issues

Capital Structure

MGE's application is based on a capital structure consisting of 57 percent common equity. Wisconsin Industrial Energy Group (WIEG) suggested that such a common equity ratio is abnormally high and recommended that the Commission consider that fact when establishing the return on equity.

The common equity ratio is a key determinant of a utility's financial position. The utility's proposed common equity ratio is in keeping with regulatory financial policies established by this Commission. This Commission has favored financially strong utilities relative to standard industry policy, and no convincing evidence was offered in this proceeding to change that view.

After ratemaking adjustments made to reflect the Commission's decisions in this proceeding, the resulting common equity ratio is 57.36 percent. Such a common equity ratio is reasonable. It is also reasonable that the remainder of the capital structure consist of 36.89 percent long-term debt and 5.75 percent short-term debt.

Cost of Long-Term Debt

The cost of long-term debt is a weighted average of the embedded cost of debt issued in prior years and the cost of new issues. In this proceeding, the utility proposed to issue new long-term debt in late 2007 and again in late 2008. It subsequently issued the 2007 securities before the record closed. The effective interest rate for that issuance is 6.247 percent, which the Commission incorporates in its calculation of the cost of long-term debt.

The 2008 issuance will occur in the future, and therefore the interest rate on that issuance must be estimated. The utility proposed that the rate for that issue be set at 6.25 percent. Commission staff suggested that, based on long-established finance principles, current interest rates are likely to be the most accurate estimates of future interest rates.

The Federal Reserve Board recently reduced its Fed funds interest rate target and both long- and short-term interest rates have declined in response. The latest information about long-term interest rates entered into the record is that they now are below 6 percent. It is reasonable to set the estimated cost of the 2008 long-term issue at 5.95 percent, in keeping with current financial market rates. Combining the rates for the new 2007 and 2008 issues with the embedded cost of previously issued debt produces an effective long-term debt cost of 6.18 percent, which is reasonable.

Cost of Short-Term Debt

The utility proposed a short-term debt cost of 5.25 percent. In keeping with its view on interest rate forecast accuracy, Commission staff suggested that the Commission use the most recently observed rates as the forecast for the test year.

As noted above, as a result of the recent Federal Reserve Board action, interest rates have declined. Based on current short-term debt rates, it appears that the utility can raise capital on a short-term basis at 4.83 percent, which is a reasonable rate for the test year.

Fair Return on Equity

The record in this proceeding contains a substantial discussion of fundamental regulatory finance concepts. As Commission staff explained, the cost of equity, which is estimated from market data, is separate and distinct from the fair return on equity, which the Commission must establish when setting rates. Under Commission staff's approach, the cost of equity is just one of seven key factors that determine the return on equity. The other factors are the need to: provide economic incentives; maintain rate stability; price utility services in keeping with those observed in other industries; consider consumer interests; consider existing investors; and recognize managerial efficiency. The utility and WIEG agreed with Commission staff's conceptual approach.

The only cost of equity model estimates presented on the record were those prepared by Commission staff. It relied on the discounted cash flow model, the capital asset pricing model, and the risk premium model to estimate a cost of equity range of 8.1 percent to 9.1 percent, with a median estimate of 8.4 percent. WIEG suggested that such estimates were reasonable in that the S&P Utility Index has produced returns near that level for the past five years. The utility presented no formal cost of equity analysis.

The utility focused its analysis instead on the return on equity, suggesting that an 11.00 percent return was the minimum level that would enable it to maintain its current financial integrity. WIEG argued that the return on equity could be reduced to 10.00 percent or lower without causing undue harm to the utility's investors. Commission staff suggested that the fair return on equity lies in the range of 10.50 to 10.75 percent.

The Commission finds the proposed conceptual framework proposed by the Commission staff to be reasonable. The cost of equity, which is the minimum acceptable return, is a starting point. It would drive utility market values to book value, which eliminates the economic incentive for utilities to expand their systems. Under normal economic conditions, the fair return on equity lies above that minimum rate.

Determining the fair return on equity involves matters of regulatory policy, such as the fact that Commission's present policy is to set biennial rates for a utility, which may slightly increase the rate of return, rather than conduct annual rate cases. The U.S. Supreme Court has made it clear that the establishment of a fair return on equity is not a mathematical exercise. *Federal Power Com'n v. Hope Natural Gas Co.*, 320 U.S. 591, 602 (1944). No equation or model could provide the answer to such a complex public policy issue. The ultimate determination involves a balancing of consumer and investor interests. The Commission finds that a return on equity of 10.80 percent will reasonably achieve that balance, protecting both the utility's investors and the public interest.

Considering the capital structure determination, the cost rate estimates for short- and long-term debt, and the fair return on equity, the following cost of capital figures shall be used for ratemaking in this proceeding:

	Amount (000's)	Percent	Annual Cost Rate	Weighted Cost
Utility Common Equity	\$336,804	57.36%	10.80%	6.19%
Long-Term Debt	216,577	36.89%	6.18%	2.28%
Short-Term Debt	<u>33,767</u>	<u>5.75%</u>	4.83%	<u>0.28%</u>
Total Utility Capital	<u>\$587,148</u>	<u>100.00%</u>		<u>8.75%</u>

The weighted cost rate of 8.75 percent is reasonable for the test year. It generates an economic cost of capital of 12.90 percent, and a pre-tax interest coverage of 5.04 times.

Rate of Return on Rate Base

The 8.75 percent composite cost of capital must be translated into a rate of return, which can then be applied to the average net investment rate base and used to compute the overall return requirement in dollars. The estimate of MGE's average net investment rate bases plus CWIP for the test year is 99.77 percent of capital applicable primarily to utility operations plus deferred investment tax credit. This estimate reflects all appropriate Commission adjustments, and is a reasonable and just factor for use in translating the composite cost of capital into a return requirement applicable to the average net investment rate base.

To allow a test year current return on the average CWIP balance, an adjustment must be added to the return on net investment rate base. Given MGE's financing and cash flow requirements in the test year and the forecasted amount of construction activity, it is reasonable to allow a current return on 50 percent of CWIP for the test year. In addition, an adjustment is needed to reflect the tax savings on MGE's Industrial Development Revenue Bonds entirely in the electric revenue requirement. Lastly, an adjustment is needed to include a return on the unamortized balances relating to carrying costs on ERGS construction expenditures, ERGS community impact mitigation costs and management fees, and ERGS O&M expenses at MGE's short-term debt rate.

Accordingly, the rates of return on average electric and natural gas utility net investment rate bases, which are reasonable for the purpose of determining just and reasonable rates in this proceeding, are as follows:

	<u>Electric</u>	<u>Natural Gas</u>
Cost of Capital	8.75%	8.75%
Average Percent of Utility Net Investment Rate Base Plus CWIP to Capital Applicable Primarily to Utility Operations Plus Deferred Investment Tax Credit	99.77%	99.77%
Percent Return Requirement Applicable to Average Net Investment Rate Base	8.77%	8.77%
Adjustment to Return Requirement to Provide Current Return on 50 percent of CWIP	0.28%	0.20%
Adjustment to Reflect Tax Savings on Industrial Development Revenue Bonds	(0.04%)	0.12%
Carrying Costs on ERGS Construction Expenditures (000's)	\$5,528	-
ERGS Community Impact Mitigation Costs/Management Fees (000's)	(15)	-
ERGS 2007 O&M Expenses (000's)	311	
Current Earnings on Total ERGS at Short-Term Debt Rate	\$5,824	-
Adjustment to Return Requirement for Total ERGS Earning at Short-Term Debt Rate	0.07%	-
Adjusted Percent Return Requirement on Average Net Investment Rate Base	9.08%	9.09%

Revenue Requirement

On the basis of the findings in this order, a \$16,248,000 increase in electric utility revenues and a \$7,781,000 increase in natural gas utility revenues are reasonable for the purpose of determining reasonable and just rates in this proceeding and are computed as follows:

	<u>Electric</u>	<u>Natural Gas</u>
Pro Forma Return on Average Net Investment Rate Base at Present Rates	6.77%	5.40%
Required Return on Average net Investment Rate Base	9.08%	9.09%
Earnings Deficiency as a Percent of Average Net Investment Rate Base	2.31%	3.69%
Average Net Investment Rate Base (000's)	\$421,081	\$126,241
Amount of Earnings Deficiency on Average Net Investment Rate Base (000's)	\$ 9,727	\$ 4,658
Revenue Deficiency to Provide for Earnings Deficiency Plus Federal and State Income Taxes (000's)	\$ 16,248	\$ 7,781

Gas Cost Recovery Mechanism

On January 15, 1999, the Commission authorized an incentive GCRM for MGE that became effective November 1, 1999. In this docket, MGE and Commission staff presented testimony regarding the design of the GCRM, and agreed to certain modifications to the GCRM as well as certain aspects that should remain unchanged. The Commission finds the following to be reasonable:

1. The commodity adder shall be changed from the current level of 3.12 percent to 1.6 percent.
2. MGE shall continue to use the gas supply plan method for determining the commodity benchmark.
3. Savings and losses shall be shared on a 60/40 ratepayer/shareholder basis.
4. Shareholder gains and losses shall be limited to \$2 million.
5. A deadband equal to the rolling four-year average capacity release/opportunity sales revenue, in which all gains and losses will flow to ratepayers, shall be implemented.
6. Balancing costs shall be included in the incentive mechanism.
7. MGE shall file results by March 31 of the following year.
8. Changes will be effective with the start of the next gas year, November 1, 2008.

Demand-Side Management

Greenhouse Gas Emission Reductions

Intervenor Robert Owen proposed that the Commission take action to encourage MGE to pursue greenhouse gas (GHG) emission reductions through energy efficiency and renewable resource programs. These proposed actions include developing a system to track and report GHG emissions on a quarterly basis, allowing rate base treatment for energy efficiency and renewable resource measures, providing MGE the opportunity to earn an enhanced rate of return on energy efficiency and renewable resource investments, and creating a revenue decoupling mechanism. Although the Commission recognizes the urgency in addressing GHG emissions, it is not appropriate to require any specific actions of MGE in this rate case. The Governor's Global Warming Task Force is in the process of assessing a broad range of potential actions to reduce GHG emissions. Additionally, Act 141 requires the Commission to hold periodic proceedings to set targets, priorities, and goals for energy efficiency and renewable resource programs. It is appropriate to address the merits of Mr. Owen's proposals, as well as other possible approaches, within the context of these ongoing initiatives.

Customer Service Conservation Activities

MGE first proposed customer service conservation activities before information regarding the statewide energy efficiency programs was available. Now that the statewide energy efficiency programs have been defined, before MGE modifies its customer service conservation offerings, it must inform Commission staff of the proposed changes and receive Commission staff's acceptance of the changes. As in the past, it is reasonable for MGE to work with Commission staff to develop measures of success for its 2008 customer service conservation activities, using 2007 measures of success as a starting point.

Electric Cost of Service

Witnesses for MGE, WIEG, the Citizens' Utility Board (CUB), and Commission staff testified regarding cost-of-service issues. Testimony presented continued to question the appropriate allocator to use for the allocation of production costs. Both WIEG and CUB agreed that more information about which allocator to use for assigning production costs is needed and requested that the Commission direct MGE to collect information on a more appropriate production capacity allocator prior to its next rate case. The Commission agrees that re-examining the production cost allocator is needed.

Electric Revenue Allocation and Rate Design

MGE and Commission staff proposed complete electric revenue allocations in this docket. CUB argued for a lower revenue allocation for residential customers. WIEG argued for a lower revenue allocation for Cp-1 and Sp-4 customer classes. Both MGE and the Commission staff used electric cost-of-service studies and other factors such as rate comparisons and bill impact information in their proposed electric revenue allocations. The Commission continues to rely on the results of electric cost-of-service studies along with the other information presented in this proceeding as a guide in determining revenue allocation and setting rates.

The Commission finds that the Commission staff's proposed electric revenue allocation and rate design, as adjusted for the final revenue requirement, are reasonable. The approved revenue allocation and rate design take into account established rate relationships, customer bill impacts for both high and low energy use customers of all classes, and the relationship of tariff charges to marginal energy cost.

Revenue allocation must consider factors other than simply the cost-of-service results. These factors include customer bill impacts, marginal energy cost, and rate comparability with other utilities in Wisconsin and surrounding states. Based on the overall weighing of these

factors, it is reasonable to assign the electric revenue changes as shown in Appendix B with lower than average increases for all of the residential customer classes and higher than average increases for the commercial and industrial classes. The electric rates also shown in Appendix B are reasonable and appropriately reflect the Commission's consideration of all of these factors.

Act 141 Costs in Base Rates

The Act 141 costs that are included in MGE's electric rates for the 2008 test year total \$4,331,000. Act 141 defines "large energy customers" as a customer of an energy utility that owns or operates a facility in the energy utility's service area, that has an energy demand of at least 1,000 kilowatts of electricity per month or of at least 10,000 decatherms of natural gas per month and that, in a month, is billed at least \$60,000 for electric service, natural gas service, or both, for all of the facilities of the customer within the energy utility's service territory. Act 141 freezes the amount of energy conservation costs these customers must pay at the level paid in 2005. To implement this requirement, the Commission must determine how much Act 141 costs are included in the base rates for large customers. MGE has "large energy customers" that receive service under the Cg-1, Cg-2, Cg-6, Cp-1, Sp-3, and Sp-4 rate tariffs. Since the Cp-1, Sp-3, and Sp-4 rates serve only "large energy customers," these classes should only pay the specific conservation costs associated with public benefits that they paid in 2005. These amounts are approximately \$0.00001, \$0.00002 and \$0.00002 per kWh, respectively. The Cg-1, Cg-2, and Cg-6 rates that serve a mixture of "large energy customers" and non-large customers must be treated differently because Act 141 costs are built into the base rates for these classes. The Act 141 costs in base rates for the non-large customers in the Cg-1, Cg-2, and Cg-6 rate classes total \$0.00163 per kWh. Based on the Act 141 limits, the large customers in the Cg-1, Cg-2, and Cg-6 rate classes will pay the specific conservation costs associated with public benefits that they paid in 2005, less the authorized \$0.00163 per kWh Act 141 cost already

included in the base rates. For the “large energy customers” in the Cg-1, Cg-2, and Cg-6 rate classes, the amounts they paid in 2005 are approximately \$0.00005, \$0.00002 and \$0.00002 per kWh, respectively. The electric rates shown in Appendix B, along with the customer specific amounts identified above as Act 141 costs, are reasonable.

Buyback Rates

MGE proposed to reduce the on-peak standard electric buyback rate by 24 percent and the off-peak rate by 31 percent. Commission staff proposed to reduce the on-peak rate by 20 percent, but to increase the off-peak rate by 6 percent. The Commission finds that the buyback rates proposed by the Commission staff are reasonable.

Experimental Photovoltaic Buyback Rate

MGE proposed a new buyback rate schedule for customer-owned photovoltaic systems, with the objective of encouraging the installation of new solar electric installations. The cost of the electric energy purchased under the new service schedule will be included in MGE’s green pricing program. The Commission finds that the proposed Pg-4 Experimental Photovoltaic Parallel Generation service schedule is reasonable.

Green Pricing Rate

MGE has a voluntary green pricing program with a rate premium of 2.68¢ per kWh. Based upon an analysis of the incremental costs incurred to purchase renewable energy, MGE proposed to reduce the premium to 1¢ per kWh. The Commission finds that the green pricing premium proposed by MGE is reasonable.

Long-Term Green Pricing Rates

MGE proposed a provision in its green pricing program for business customers that would allow customers to receive this service for a multi-year term. This program would allow customers to lock-in MGE’s proposed 1¢ per kWh green pricing premium for periods of up to

ten years. MGE's witness testified that this proposal was designed to allow MGE to accommodate the requirement that renewable energy purchases made by the state of Wisconsin pursuant to Act 141 be made under arrangements that include terms of at least ten years.

Commission staff testified that MGE's proposed 1¢ green pricing premium may not fully recover MGE's incremental costs of procuring renewable energy increases in the future. Commission staff also expressed a concern that if such an outcome occurs, non-participating customers would subsidize participating customers that had locked into a fixed long-term premium below the incremental cost. Commission staff also expressed concern about potential unfair competition if a utility subsidizes its competitive green pricing offerings with revenues from monopoly utility services.

The Commission finds that MGE's proposal is reasonable because it is necessary to accommodate purchases of renewable energy by the state of Wisconsin pursuant to Act 141. The final date when business customers may sign up for the program is the end of the test year, December 1, 2008. MGE shall provide the Commission with an annual report showing an analysis of the incremental cost MGE incurs to purchase renewable energy, using the same methodology MGE used in this proceeding.

Innovative Rate Options for Residential Customers

CUB proposed to continue its collaborative work with MGE to investigate innovative residential rate options such as inverted block rates, new TOD rates, and other rate options that promote energy conservation. The Commission accepts this proposal, and directs MGE to include Commission staff in the collaborative meetings to investigate these alternative rate structures.

Electric Rate Tariff Changes

MGE proposed several miscellaneous electric tariff changes in Exhibit 22. These changes include the incorporation of ballast energy usage in SL-1, SL-2, SL-3, and OL-1 rates, the elimination of references to the Cs-1 and Cs-2 rate classes from tariff Sheet E37, and the changes to the BGS rider on tariff sheets E40 and E40.01. The Commission authorizes the miscellaneous electric tariff changes proposed by MGE. These changes are shown in Appendix B.

Electric and Natural Gas Service and Extension Rule Changes

MGE proposed several miscellaneous natural gas and electric tariff changes in Exhibits 5 and 22. These changes include revisions to the Distribution Extension Embedded Cost Allowances, an increase in the insufficient funds charge from \$10 to \$20, a reconnection charge for customers that illegally reconnect their own service, and changes to tariff sheets E60-E74 and G44-G54 to remove any duplication of Wisconsin Administrative Code requirements and improve clarity. The Commission authorizes these proposed changes to MGE's electric and natural gas service and extension rule tariffs as shown in Appendices B and C.

Natural Gas Rate Design

Two complete natural gas rate designs were submitted in this proceeding, one by MGE and one by Commission staff. They differ primarily in the treatment of customer charges. MGE favored collecting more of its revenues through fixed charges. In this case, MGE proposed raising customer charges for the residential class from the present \$9.50 per month to \$15.21. MGE asserted that there is a trend toward lower use per customer and that higher customer charges would reduce MGE's revenue volatility.

Commission staff disagreed that the apparent trend in lower use per customer would justify the proposed customer charge increase. Commission staff agreed that there is a trend

toward lower use per customer, but that its effect is subsumed in the forward test year sales forecast used in the test year. Commission staff proposed a \$10.25 per month customer charge, which is equivalent to the highest customer charge that the Commission has approved.

MGE proposed raising the small commercial class, GSD-1, customer charge from \$18.55 per month to \$22.81, decreasing the medium commercial class, GSD-2, from \$105.00 per month to \$101.96, and leaving the large commercial class, GSD-3, customer charge unchanged.

Commission staff proposed leaving all the commercial class rates unchanged, both with respect to customer charges and distribution charges because of the substantial effect of ascribing Act 141 revenues in this case. Commission staff also noted that the Act 141 prescribed increases negatively impact the crossover points between classes, the points at which it becomes economically advantageous to change classes. This can result in poor public policy by giving customers an incentive to increase their volumes through wasteful use in order to qualify for a higher volume class with a lower rate. Commission staff proposed that after the Commission determined the final revenue requirement, the change in the final revenues be used in final rate design to reestablish the proper crossover points.

MGE proposed no changes in the customer charge levels for both the Interruptible Generation, IGD-1, and Steam and Power Generation, SP-1, classes. The Commission staff rate design also leaves these customer charges unchanged.

MGE proposed raising the Season Off-Peak Distribution customer charge from \$45.63 to \$53.23 per month. The Commission staff rate design does also.

The Commission staff rate design alternative did not materially differ further from MGE's proposed rate design with regard to distribution margin rates, administrative charges, IS-1 and FS-1 supply charges, and telemetering and balancing charges.

MGE proposed multiple changes to the company's gas service rules and regulation sheets, as shown in Appendix C. These changes consist of minor revisions to natural gas tariff Sheets G44 through G54 and include the removal of duplicate references to the Wisconsin Administrative Code, the realignment of some of the sections to be more consistent between gas and electric tariffs, and some clarifying language changes. In addition, MGE proposed increasing the insufficient funds charge from \$10 to \$20, consistent with the authorized increase in the Electric Service Rules.

The Commission staff rate design alternative is based on a pair of Cost-of-Service Studies (COSS), the demand-oriented COSS-A and the commodity-oriented COSS-B. Commission staff's rate design is appropriate when adjusted proportionately for the final revenue requirement. Revenue allocation in this case was determined by considering factors other than simply the cost of service results. These factors include rate stability, avoidance of undue discrimination and subsidies, fairness between system sales and transportation customers, customer bill impacts, incentives to conserve, and rate comparability with other utilities in Wisconsin and surrounding states. Based on the overall weighing of these factors and maintaining interclass stability in particular, it is reasonable to assign the gas revenue changes as shown in Appendix C. The natural gas rates shown in Appendix C are reasonable and appropriately reflect the Commission's consideration of all of these factors.

Other Natural Gas Rates and Rules

The minor revisions to tariff Sheets G44 through G54, and an increase in the insufficient funds charge that is consistent with the Electric Service Rules, as shown in Appendix C, are reasonable.

Effective Date

The test year commences on January 1, 2008. Under Wis. Stat. § 196.40, an order or determination of the Commission shall take effect 20 days after the order or determination has been filed and served on the parties to the proceeding unless the Commission specifies a different effective date in the order or determination.

The Commission finds it reasonable for this decision to be effective the later of one day after the date of mailing or January 1, 2008, provided that the rates are filed with the Commission and placed in all offices and pay stations of the utility by that date. If the authorized rates and rules are not placed in all offices and pay stations by January 1, 2008, the rates shall become effective on the date that the rates are filed with the Commission and placed in all offices and pay stations.

Order

1. This Final Decision shall be effective the later of one day after the date of mailing or January 1, 2008, provided that the rates are filed with the Commission and placed in all offices and pay stations of the utility by that date. If the authorized rates and rules are not placed in all offices and pay stations by January 1, 2008, the rates shall become effective on the date the rates are filed with the Commission and placed in all offices and pay stations.

2. MGE shall prepare bill inserts that properly identify the rates authorized in this order. MGE shall distribute these inserts to customers with the first billing containing the rates authorized in this order and shall file copies of these inserts with the Commission before it distributes the inserts to customers.

3. MGE may substitute, for its existing rates and rules for electric and natural gas utility service, the rate and rule changes contained in Appendices B and C. These changes shall be in effect until the issuance of an order by the Commission establishing new rates and rules.

4. The fuel costs in Appendix D shall be used for monthly monitoring of MGE's fuel costs, pursuant to Wis. Admin. Code ch. PSC 116.

5. MGE shall calculate the return on carrying costs on ERGS construction expenditures at the short-term debt rate.

6. MGE may escrow the billing charges from its affiliate MGEPER for its share of ERGS O&M expenses, which began in 2007. MGE also may continue to escrow billing charges from MGEPER for its share of carrying costs on ERGS construction expenditures, management fees, and community impact mitigation costs.

7. MGE shall continue accounting for allowable electric and natural gas conservation expenditures on an escrow basis.

8. The GCRM shall be modified as discussed in the Opinion section of this Final Decision. The modifications shall take effect November 1, 2008.

9. MGE shall inform Commission staff of any proposed changes to its customer service conservation activities and receive Commission staff's acceptance of the changes before implementing them.

10. MGE shall work with Commission staff to develop measures of success for its 2008 customer service conservation activities, using 2007 measures of success as a starting point.

11. MGE shall work with Commission staff to collect more information about the production cost allocator and shall submit this information in its next rate case application.

12. MGE is authorized to implement the Pg-4 Experimental Photovoltaic Parallel Generation service schedule.

13. MGE is authorized to revise its green pricing programs to include a premium of 1¢ per kWh.

14. MGE is authorized to implement its proposed changes to the Business Renewable Energy Program service schedule. The final date when business customers may sign up for the program is December 31, 2008.

15. MGE shall provide the Commission with an annual report showing an analysis of the incremental cost MGE incurs to purchase renewable energy using the same methodology MGE used in this proceeding.

16. Jurisdiction is retained.

Dated at Madison, Wisconsin, December 14, 2007

By the Commission:



Sandra J. Paske
Secretary to the Commission

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See attached Notice of Appeal Rights

Notice of Appeal Rights

Notice is hereby given that a person aggrieved by the foregoing decision has the right to file a petition for judicial review as provided in Wis. Stat. § 227.53. The petition must be filed within 30 days after the date of mailing of this decision. That date is shown on the first page. If there is no date on the first page, the date of mailing is shown immediately above the signature line. The Public Service Commission of Wisconsin must be named as respondent in the petition for judicial review.

Notice is further given that, if the foregoing decision is an order following a proceeding which is a contested case as defined in Wis. Stat. § 227.01(3), a person aggrieved by the order has the further right to file one petition for rehearing as provided in Wis. Stat. § 227.49. The petition must be filed within 20 days of the date of mailing of this decision.

If this decision is an order after rehearing, a person aggrieved who wishes to appeal must seek judicial review rather than rehearing. A second petition for rehearing is not an option.

This general notice is for the purpose of ensuring compliance with Wis. Stat. § 227.48(2), and does not constitute a conclusion or admission that any particular party or person is necessarily aggrieved or that any particular decision or order is final or judicially reviewable.

Revised 9/28/98

APPENDIX A
(CONTESTED)

In order to comply with Wis. Stat. § 227.47, the following parties who appeared before the agency are considered parties for purposes of review under Wis. Stat. § 227.53.

Public Service Commission of Wisconsin
(Not a party but must be served)
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Docket 3270-UR-115

WISCONSIN END-USER GAS AND ELECTRIC ASSOCIATION

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MADISON GAS AND ELECTRIC COMPANY
ESTIMATED RETAIL ELECTRIC REVENUE (includes Final Surcharge)
TEST YEAR ENDING DECEMBER 31, 2008

RATE CLASS		PRESENT REVENUES	AUTHORIZED REVENUES	DOLLAR INCREASE	PERCENT INCREASE
Rg-1	Residential	\$ 115,430,949	\$ 119,908,947	\$ 4,477,998	3.88%
Rg-2	Residential Time-of-Use	1,184,649	1,226,349	41,700	3.52%
Rw-1	Residential Controlled Water Heating	11,303	11,894	591	5.23%
Rg-3	Residential Lifeline (Closed)	16,634	17,603	969	5.82%
TOTAL RESIDENTIAL		\$ 116,643,536	\$ 121,164,794	\$ 4,521,258	3.88%
Cg-5	Small C&I Lighting and Power (<20 kW)	\$ 28,130,424	\$ 29,227,335	\$ 1,096,911	3.90%
Cg-3	Small C&I Optional Time-of-use (<20 kW)	679,038	702,998	23,960	3.53%
Cg-1A	C&I Lighting and Power (20-75 kW)	31,822,317	33,184,983	1,362,666	4.28%
Cg-1B	C&I Lighting and Power (76-200 kW)	32,187,045	33,546,771	1,359,725	4.22%
Cg-4A	C&I Optional Time-of-Use (20-75 kW)	1,046,624	1,091,013	44,389	4.24%
Cg-4B	C&I Optional Time-of-Use (76-200kW)	2,273,112	2,369,056	95,944	4.22%
TOTAL SMALL BUSINESS		\$ 96,138,560	\$ 100,122,156	\$ 3,983,596	4.14%
Cg-2	C&I Lighting and Power Time-of-Use (>200 kW)	\$ 72,912,893	\$ 77,414,345	\$ 4,501,451	6.17%
Cg-6	C&I Lighting and Power Large Annual HLF (>1 MW)	13,985,259	14,765,648	780,390	5.58%
Cp-1	C&I HLF Direct Control Interruptible - Trans. Volt.	3,949,153	4,295,442	346,289	8.77%
TOTAL LARGE BUSINESS		\$ 90,847,305	\$ 96,475,435	\$ 5,628,130	6.20%
Sp-3	University of Wisconsin Time-of-Use	\$ 27,395,079	\$ 29,053,306	\$ 1,658,227	6.05%
Sp-4	Oscar Mayer Foods Corporation Time-of-Use	5,155,086	5,475,595	320,508	6.22%
Sp-5	Capitol Heat, Light, and Power Time-of-Use	227,226	241,109	13,883	6.11%
TOTAL CONTRACT SERVICES		\$ 32,777,391	\$ 34,770,009	\$ 1,992,618	6.08%
Gf-1	General Flat Rate	\$ 435,171	\$ 451,227	\$ 16,056	3.69%
Mg-2	Secondary Service for Municipal Defense Sirens	3,322	3,452	129	3.89%
MLS	Athletic Field Lighting	58,043	60,104	2,061	3.55%
OL-1	Outdoor Overhead Lighting - Private Unmetered	445,050	452,144	7,094	1.59%
TOTAL MISCELLANEOUS AND LIGHTING		\$ 941,586	\$ 966,927	\$ 25,340	2.69%
SL-1	St. Lighting - Company-Owned & Maintained	\$ 185,393	\$ 201,167	\$ 15,774	8.51%
SL-2	St. Lighting - Cust.-Owned & Cust.-Maintained	434,143	450,942	16,799	3.87%
SL-3	St. Lighting - Cust.-Owned & Company-Maintained	617,904	654,028	36,124	5.85%
TOTAL STREET LIGHTING SERVICE		\$ 1,237,441	\$ 1,306,138	\$ 68,697	5.55%
BGS	Backup Generation Service	\$ 592,496	\$ 592,496	\$ -	0.00%
RWE-1	Residential Wind Energy Program	317,650	317,650	0	0.00%
BWE-1	Business Wind Energy Program	86,570	86,570	0	0.00%
TOTAL RETAIL ELECTRIC SALES REVENUE		\$ 339,582,536	\$ 355,802,175	\$ 16,219,639	4.78%
Interdepartmental		\$ 544,562	\$ 572,728	\$ 28,166	5.17%
TOTAL RETAIL ELEC. SALES REVENUE w/ INTERD.		\$ 340,127,098	\$ 356,374,903	\$ 16,247,805	4.78%

MADISON GAS AND ELECTRIC COMPANY
PRESENT & AUTHORIZED RATES (includes Final Surcharge)
TEST YEAR ENDING DECEMBER 31, 2008

TYPE OF SERVICE		Monthly Equivalent	PRESENT RATES	AUTHORIZED RATES	Monthly Equivalent
<u>RESIDENTIAL SERVICE Rg-1</u>					
Customer Charge		\$8.40	\$0.27616 per bill per day	\$0.28590 per bill per day	\$8.70
Distribution Charge			\$0.03000 per kWh	\$0.03100 per kWh	
Electricity Charges:	Winter		\$0.08884 " "	\$0.09246 " "	
	Summer		\$0.09884 " "	\$0.10296 " "	
<u>RESIDENTIAL TIME OF USE Rg-2</u>					
Customer Charge		\$8.40	\$0.27616 per bill per day	\$0.28590 per bill per day	\$8.70
Distribution Charge			\$0.03000 per kWh	\$0.03100 per kWh	
Electricity Charges:					
On-Peak	Winter		\$0.17393 per kWh	\$0.18010 per kWh	
Off-Peak	Winter		\$0.03243 " "	\$0.03360 " "	
On-Peak	Summer		\$0.19783 " "	\$0.20500 " "	
Off-Peak	Summer		\$0.03243 " "	\$0.03360 " "	
<u>RESIDENTIAL CONTROLLED WATER HEATING Rw-1</u>					
Customer Charge		\$3.20	\$0.10521 per bill per day	\$0.11190 per bill per day	\$3.40
Distribution Charge			\$0.03000 per kWh	\$0.03100 per kWh	
Electricity Charges:	Winter		\$0.04083 " "	\$0.04331 " "	
	Summer		\$0.04683 " "	\$0.04970 " "	
<u>RESIDENTIAL LIFELINE Rg-3</u>					
Customer Charge		\$4.55	\$0.14959 per bill per day	\$0.15780 per bill per day	\$4.80
Distribution Charge			\$0.03000 per kWh	\$0.03100 per kWh	
Electricity Charges:					
First 300 kWh per month	Winter		\$0.05247 per kWh	\$0.05789 per kWh	
Over 300 kWh per month	Winter		\$0.08884 " "	\$0.09246 " "	
First 300 kWh per month	Summer		\$0.05940 " "	\$0.06545 " "	
Over 300 kWh per month	Summer		\$0.09884 " "	\$0.10296 " "	
<u>SMALL C/I LIGHTING AND POWER Cg-5 (0-20 kW)</u>					
Customer Charge		\$8.40	\$0.27616 per bill per day	\$0.28590 per bill per day	\$8.70
Distribution Charge			\$0.03000 per kWh	\$0.03100 per kWh	
Electricity Charges:	Winter		\$0.08884 " "	\$0.09246 " "	
	Summer		\$0.09884 " "	\$0.10296 " "	

MADISON GAS AND ELECTRIC COMPANY
PRESENT & AUTHORIZED RATES (includes Final Surcharge)
TEST YEAR ENDING DECEMBER 31, 2008

TYPE OF SERVICE		Monthly Equivalent		PRESENT RATES		AUTHORIZED RATES		Monthly Equivalent
<u>SMALL C/I OPTIONAL TIME OF USE Cg-3 (<20 kW)</u>								
Customer Charge								
Single Phase		\$8.40		\$0.27616	per bill per day	\$0.28590	per bill per day	\$8.70
Three Phase				\$0.59178	" " " "	\$0.61480	" " " "	
Distribution Charge				\$0.03000	per kWh	\$0.03100	per kWh	
Electricity Charges								
On-Peak	Winter			\$0.17393	per kWh	\$0.18010	per kWh	
Off-Peak	Winter			\$0.03243	" "	\$0.03360	" "	
On-Peak	Summer			\$0.19783	" "	\$0.20500	" "	
Off-Peak	Summer			\$0.03243	" "	\$0.03360	" "	
<u>C/I LIGHTING AND POWER SERVICE Cg-1 LEVEL A (20-75 kW)</u>								
Customer Charge		\$33.50		\$1.10140	per bill per day	\$1.16720	per bill per day	\$35.50
Distribution Charge								
Customer Maximum Demand		\$3.65		\$0.12000	per kW per day	\$0.12493	per kW per day	\$3.80
Max. Monthly Demand:	Winter	\$6.60		\$0.21700	per kW per day	\$0.22850	per kW per day	\$6.95
	Summer	\$8.10		\$0.26630	" " " "	\$0.27960	" " " "	\$8.50
Non-Capped Energy:	Winter			\$0.06216	per kWh	\$0.06470	per kWh	
	Summer			\$0.07267	" "	\$0.07534	" "	
Act 141 \$ in Non-Lg.Cust. Rates				NA		\$0.00163	" "	
Capped Energy:	Winter			\$0.06216	per kWh	\$0.06312	per kWh	
	Summer			\$0.07267	" "	\$0.07376	" "	
Act 141 \$ in Lg.Cust. Rates				NA		\$0.00005	" "	
<u>C/I LIGHTING AND POWER SERVICE Cg-1 LEVEL B (76-200 kW)</u>								
Customer Charge		\$33.50		\$1.1014	per bill per day	\$1.16720	per bill per day	\$35.50
Distribution Charge								
Customer Maximum Demand		\$3.65		\$0.12000	per kW per day	\$0.12493	per kW per day	\$3.80
Electricity Charges								
Max. Monthly Demand:	Winter	\$6.60		\$0.21700	per kW per day	\$0.22850	per kW per day	\$6.95
	Summer	\$8.10		\$0.26630	" " " "	\$0.27960	" " " "	\$8.50
Non-Capped Energy:	Winter			\$0.06216	per kWh	\$0.06470	per kWh	
	Summer			\$0.07267	" "	\$0.07534	" "	
Act 141 \$ in Non-Lg.Cust. Rates				NA		\$0.00163	" "	
Capped Energy:	Winter			\$0.06216	per kWh	\$0.06312	per kWh	
	Summer			\$0.07267	" "	\$0.07376	" "	
Act 141 \$ in Lg.Cust. Rates				NA		\$0.00005	" "	

MADISON GAS AND ELECTRIC COMPANY
PRESENT & AUTHORIZED RATES (includes Final Surcharge)
TEST YEAR ENDING DECEMBER 31, 2008

TYPE OF SERVICE		Monthly Equivalent	PRESENT RATES		AUTHORIZED RATES		Monthly Equivalent
<u>C/I LIGHTING AND POWER TIME-OF-USE SERVICE Cg-4 LEVEL A (20-75 kW)</u>							
Customer Charge							
Single Phase		\$38.00	\$1.24940	per bill per day	\$1.31520	per bill per day	\$40.00
Three Phase		\$49.00	\$1.61096	per bill per day	\$1.69960	per bill per day	\$51.70
Distribution Charge							
Customer Maximum Demand		\$3.65	\$0.12000	per kW per day	\$0.12493	per kW per day	\$3.80
Electricity Charges							
Max. Monthly Demand:	Winter	\$6.60	\$0.21700	per kW per day	\$0.22850	per kW per day	\$6.95
	Summer	\$8.10	\$0.26630	" " " "	\$0.27960	" " " "	\$8.50
Non-Capped On-Pk Energy:	Winter		\$0.09393	per kWh	\$0.09764	per kWh	
	Summer		\$0.10393	" "	\$0.10803	" "	
Non-Capped Off-Pk Energy:	Winter		\$0.04423	" "	\$0.04599	" "	
	Summer		\$0.04423	" "	\$0.04599	" "	
Act 141 \$ in Non-Lg.Cust. Rates			NA		\$0.00163	" "	
Capped On-Pk.Energy:	Winter		\$0.09393	per kWh	\$0.09601	per kWh	
	Summer		\$0.10393	" "	\$0.10640	" "	
Capped Off-Pk.Energy:	Winter		\$0.04423	" "	\$0.04441	" "	
	Summer		\$0.04423	" "	\$0.04441	" "	
Act 141 \$ in Lg.Cust. Rates			NA		\$0.00005	" "	
<u>C/I LIGHTING AND POWER TIME-OF-USE SERVICE Cg-4 LEVEL B (76-200 kW)</u>							
Customer Charge							
Single Phase		\$38.00	\$1.24940	per bill per day	\$1.31520	per bill per day	\$40.00
Three Phase		\$49.00	\$1.61096	per bill per day	\$1.69960	per bill per day	\$51.70
Distribution Charge							
Customer Maximum Demand		\$3.65	\$0.12000	per kW per day	\$0.12493	per kW per day	\$3.80
Electricity Charges							
Max. Monthly Demand:	Winter	\$6.60	\$0.21700	per kW per day	\$0.22850	per kW per day	\$6.95
	Summer	\$8.10	\$0.26630	" " " "	\$0.27960	" " " "	\$8.50
Non-Capped On-Pk Energy:	Winter		\$0.09393	per kWh	\$0.09764	per kWh	
	Summer		\$0.10393	" "	\$0.10803	" "	
Non-Capped Off-Pk Energy:	Winter		\$0.04423	" "	\$0.04599	" "	
	Summer		\$0.04423	" "	\$0.04599	" "	
Act 141 \$ in Non-Lg.Cust. Rates			NA		\$0.00163	" "	
Capped On-Pk.Energy:	Winter		\$0.09393	per kWh	\$0.09606	per kWh	
	Summer		\$0.10393	" "	\$0.10645	" "	
Capped Off-Pk.Energy:	Winter		\$0.04423	" "	\$0.04441	" "	
	Summer		\$0.04423	" "	\$0.04441	" "	
Act 141 \$ in Lg.Cust. Rates			NA		\$0.00005	" "	

MADISON GAS AND ELECTRIC COMPANY
PRESENT & AUTHORIZED RATES (includes Final Surcharge)
TEST YEAR ENDING DECEMBER 31, 2008

TYPE OF SERVICE		Monthly Equivalent	PRESENT RATES		AUTHORIZED RATES		Monthly Equivalent
<u>C/I LIGHTING AND POWER SERVICE TIME-OF-USE CG-2 (OVER 200 kW)</u>							
Customer Charge		\$150.00	\$4.93151	per bill per day	\$5.22740	per bill per day	\$159.00
Distribution Charges							
Customer Maximum Demand		\$4.35	\$0.14301	per kW per day	\$0.14959	per kW per day	\$4.55
Electricity Charges							
Max. Monthly Demand:	Winter	\$6.60	\$0.21700	per kW per day	\$0.22850	per kW per day	\$6.95
	Summer	\$8.10	\$0.26630	" " " "	\$0.27960	" " " "	\$8.50
Non-Capped On-Pk Energy:	Winter		\$0.07223	per kWh	\$0.07702	per kWh	
	Summer		\$0.08023	" "	\$0.08534	" "	
Non-Capped Off-Pk Energy:	Winter		\$0.04173	" "	\$0.04527	" "	
	Summer		\$0.04173	" "	\$0.04527	" "	
Act 141 \$ in Non-Lg.Cust. Rates			NA		\$0.00163	" "	
Capped On-Pk.Energy:	Winter		\$0.07223	per kWh	\$0.07541	per kWh	
	Summer		\$0.08023	" "	\$0.08373	" "	
Capped Off-Pk.Energy:	Winter		\$0.04173	" "	\$0.04366	" "	
	Summer		\$0.04173	" "	\$0.04366	" "	
Act 141 \$ in Lg.Cust. Rates			NA		\$0.00002	" "	
<u>C/I LIGHTING AND POWER SERVICE TIME-OF-USE HLF CG-6 (OVER 1000 kW)</u>							
Customer Charge		\$150.00	\$4.9315	per bill per day	\$5.22740	per bill per day	\$159.00
Distrib. Charges	Cust. Max .kW	\$4.45	\$0.14630	per kW per day	\$0.15288	per kW per day	\$4.65
Electricity Charges							
Max. Monthly Demand:	Winter	\$6.60	\$0.21700	per kW per day	\$0.22850	per kW per day	\$6.95
	Summer	\$8.10	\$0.26630	" " " "	\$0.27960	" " " "	\$8.50
Non-Capped On-Pk Energy:	Winter		\$0.06503	per kWh	\$0.06998	per kWh	
	Summer		\$0.07203	" "	\$0.07729	" "	
Non-Capped Off-Pk Energy:	Winter		\$0.04123	" "	\$0.04497	" "	
	Summer		\$0.04123	" "	\$0.04497	" "	
Act 141 \$ in Non-Lg.Cust. Rates			NA		\$0.04334	" "	
Capped On-Pk.Energy:	Winter		\$0.06503	per kWh	\$0.06837	per kWh	
	Summer		\$0.07203	" "	\$0.07568	" "	
Capped Off-Pk.Energy:	Winter		\$0.04123	" "	\$0.04336	" "	
	Summer		\$0.04123	" "	\$0.04336	" "	
Act 141 \$ in Lg.Cust. Rates			NA		\$0.00002	" "	

MADISON GAS AND ELECTRIC COMPANY
PRESENT & AUTHORIZED RATES (includes Final Surcharge)
TEST YEAR ENDING DECEMBER 31, 2008

TYPE OF SERVICE		Monthly Equivalent	PRESENT RATES		AUTHORIZED RATES		Monthly Equivalent
<u>C/I HIGH LOAD FACTOR DIRECT CONTROL INTERRUPTIBLE SERVICE TRANS. VOLTAGE Cp-1</u>							
Customer Charge		\$650.00	\$21.37000	per bill per day	\$21.37000	per bill per day	\$650.00
Distribution Charges			None		None		
Electricity Charges							
Max. Monthly Demand:	Winter	\$2.00	\$0.06575	per kW per day	\$0.07233	per kW per day	\$2.20
	Summer	\$2.50	\$0.08219	" " " "	\$0.09041	" " " "	\$2.75
On-Peak Energy	Winter		\$0.04447	per kWh	\$0.04861	per kWh	
	Summer		\$0.05447	" "	\$0.05871	" "	
Off-peak Energy	Winter		\$0.03028	" "	\$0.03303	" "	
	Summer		\$0.03028	" "	\$0.03303	" "	
Act 141 \$ in Base Rates			NA		\$0.00001	" "	
<u>UNIVERSITY OF WISCONSIN TIME-OF-USE SP-3</u>							
Customer Charge		\$6,000.00	\$197.2602	per bill per day	\$209.0958	per bill per day	\$6,360.00
Distrib. Charges	Cust.Max.kW	\$3.10	\$0.10192	per kW per day	\$0.10849	per kW per day	\$3.30
Electricity Charges							
Max. Monthly Demand:	Winter	\$6.60	\$0.21700	per kW per day	\$0.22850	per kW per day	\$6.95
	Summer	\$8.10	\$0.26630	" " " "	\$0.27960	" " " "	\$8.50
On-Peak Energy	Winter		\$0.06633	per kWh	\$0.07045	per kWh	
	Summer		\$0.07133	" "	\$0.07576	" "	
Off-peak Energy	Winter		\$0.04323	" "	\$0.04592	" "	
	Summer		\$0.04323	" "	\$0.04592	" "	
Act 141 \$ in Base Rates			NA		\$0.00002	" "	
<u>OSCAR MAYER TIME-OF-USE SP-4</u>							
Customer Charge		\$225.00	\$7.39730	per day per bill	\$7.85760	per day per bill	\$239.00
Distribution Charges							
Customer Maximum Demand		\$3.15	\$0.10356	per kW per day	\$0.11020	per kW per day	\$3.35
Electricity Charges							
Firm Contract Demand	Winter	\$6.60	\$0.21700	per kW per day	\$0.22850	per kW per day	\$6.95
	Summer	\$8.10	\$0.26630	" " " "	\$0.27960	" " " "	\$8.50
On-Peak Energy	Winter		\$0.06393	per kWh	\$0.06862	per kWh	
	Summer		\$0.06893	" "	\$0.07492	" "	
Off-peak Energy	Winter		\$0.04123	" "	\$0.04336	" "	
	Summer		\$0.04123	" "	\$0.04336	" "	
Supplemental Energy	Winter		\$0.06393	" "	\$0.06862	" "	
	Summer		\$0.06893	" "	\$0.07492	" "	
Act 141 \$ in Base Rates			NA		\$0.00002	" "	

MADISON GAS AND ELECTRIC COMPANY
PRESENT & AUTHORIZED RATES (includes Final Surcharge)
TEST YEAR ENDING DECEMBER 31, 2008

TYPE OF SERVICE		Monthly Equivalent	PRESENT RATES		AUTHORIZED RATES		Monthly Equivalent
<u>CAPITOL HEATING TIME-OF-USE SP5</u>							
Customer Charge		\$615.00	\$20.21930	per day per bill	\$21.43570	per day per bill	\$652.00
Distribution Charges							
Customer Maximum Demand		\$3.10	\$0.10192	per kW per day	\$0.10840	per kW per day	\$3.30
Electricity Charges							
Max. Monthly Demand:	Winter	\$7.60	\$0.24980	per kW per day	\$0.26780	per kW per day	\$8.15
	Summer	\$9.10	\$0.29920	" " " "	\$0.32040	" " " "	\$9.75
Non-Capped On-Pk Energy:	Winter		\$0.07223	per kWh	\$0.07439	per kWh	
	Summer		\$0.07723	" "	\$0.07879	" "	
Non-Capped Off-Pk Energy:	Winter		\$0.04123	" "	\$0.04497	" "	
	Summer		\$0.04123	" "	\$0.04497	" "	
Act 141 \$ in Non-Lg.Cust. Rates			NA		\$0.00163		
Capped On-Pk.Energy:	Winter		\$0.07223	per kWh	\$0.07276	per kWh	
	Summer		\$0.07723	" "	\$0.07716	" "	
Capped Off-Pk.Energy:	Winter		\$0.04123	" "	\$0.04334	" "	
	Summer		\$0.04123	" "	\$0.04334	" "	
Act 141 \$ in Lg.Cust. Rates			NA		\$0.00000	" "	
<u>SUMMER CURTAILABLE SERVICE (SCS)</u>							
Cg-1 Summer Interruptible kW		(\$6.00)	(\$0.19726)	per kW per day	(\$0.19726)	per kW per day	(\$6.00)
Cg-4 Summer Interruptible kW		(\$6.00)	(\$0.19726)	" " " "	(\$0.19726)	" " " "	(\$6.00)
Cg-2 Summer Interruptible kW		(\$6.00)	(\$0.19726)	" " " "	(\$0.19726)	" " " "	(\$6.00)
Cg-6 Summer Interruptible kW		(\$6.00)	(\$0.19726)	" " " "	(\$0.19726)	" " " "	(\$6.00)
Sp-3 Summer Interruptible kW		(\$6.00)	(\$0.19726)	" " " "	(\$0.19726)	" " " "	(\$6.00)
<u>INTERRUPTIBLE SERVICE RIDER Is-1</u>							
<u>Variable Pricing</u>							
Cg-2 Interruptible kW		(\$3.75)	(\$0.12329)	per kW per day	(\$0.12329)	per kW per day	(\$3.75)
Cg-6 Interruptible kW		(\$3.75)	(\$0.12329)	" " " "	(\$0.12329)	" " " "	(\$3.75)
Sp-3 Interruptible kW		(\$3.75)	(\$0.12329)	" " " "	(\$0.12329)	" " " "	(\$3.75)
<u>Fixed Pricing</u>							
Cg-2 Interruptible kW		(\$3.00)	(\$0.09863)	per kW per day	(\$0.09863)	per kW per day	(\$3.00)
Cg-6 Interruptible kW		(\$3.00)	(\$0.09863)	" " " "	(\$0.09863)	" " " "	(\$3.00)
Sp-3 Interruptible kW		(\$3.00)	(\$0.09863)	" " " "	(\$0.09863)	" " " "	(\$3.00)

MADISON GAS AND ELECTRIC COMPANY
PRESENT & AUTHORIZED RATES (includes Final Surcharge)
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TYPE OF SERVICE	Monthly Equivalent	PRESENT RATES	AUTHORIZED RATES	Monthly Equivalent
<u>DIRECT CONTROL INTERRUPTIBLE SERVICE RIDER Is-2</u>				
<u>Variable Pricing</u>				
Cg-1 Interruptible kW	(\$4.00)	(\$0.13151) per kW per day	(\$0.13151) per kW per day	(\$4.00)
Cg-4 Interruptible kW	(\$4.00)	" " " "	(\$0.13151) " " " "	(\$4.00)
Cg-2 Interruptible kW	(\$4.00)	" " " "	(\$0.13151) " " " "	(\$4.00)
Cg-6 Interruptible kW	(\$4.00)	" " " "	(\$0.13151) " " " "	(\$4.00)
Sp-3 Interruptible kW	(\$4.00)	" " " "	(\$0.13151) " " " "	(\$4.00)
<u>Fixed Pricing</u>				
Cg-1 Interruptible kW	(\$3.25)	(\$0.10685) per kW per day	(\$0.10685) per kW per day	(\$3.25)
Cg-4 Interruptible kW	(\$3.25)	" " " "	(\$0.10685) " " " "	(\$3.25)
Cg-2 Interruptible kW	(\$3.25)	" " " "	(\$0.10685) " " " "	(\$3.25)
Cg-6 Interruptible kW	(\$3.25)	" " " "	(\$0.10685) " " " "	(\$3.25)
Sp-3 Interruptible kW	(\$3.25)	" " " "	(\$0.10685) " " " "	(\$3.25)
<u>MISCELLANEOUS FLAT RATE SERVICE GF-1</u>				
LEVEL I Telephone Booths		\$6.09 per bill per unit	\$6.30 per bill per unit	
LEVEL II CATV Amplifiers		\$60.94 " " " "	\$63.20 " " " "	
LEVEL III Unmetered Service				
Customer Charge	\$8.40	\$0.27616 per day per bill	\$0.28590 per day per bill	\$8.70
Distribution Service		\$0.03000 per kWh	\$0.03100 per kWh	
Electricity Service		\$0.07123 " "	\$0.07380 " "	
<u>SECONDARY SERVICE FOR MUNICIPAL DEFENSE SIRENS Mg-2</u>				
Motor-Driven Sirens		\$3.30 per bill per unit	\$3.44 per bill per unit	
Electronic Sirens		\$4.82 " " " "	\$4.99 " " " "	
<u>ATHLETIC FIELD LIGHTING MLS</u>				
Customer Charge	\$8.40	\$0.27616 per day per bill	\$0.28590 per day per bill	\$8.70
Distribution Charge		\$0.03000 per kWh	\$0.03100 per kWh	
Electric Charge		\$0.08234 " "	\$0.08533 " "	

MADISON GAS AND ELECTRIC COMPANY
PRESENT & AUTHORIZED RATES (includes Final Surcharge)
TEST YEAR ENDING DECEMBER 31, 2008

TYPE OF SERVICE	Monthly Equivalent	PRESENT RATES	AUTHORIZED RATES	Monthly Equivalent
<u>OUTDOOR OVERHEAD LIGHTING SERVICE -- OL-1 (PRIVATE UNMETERED)</u>				
<u>DUSK-TO-DAWN YARD LIGHTING</u>				
70 WATT HPS LAMPS		\$10.60 per lamp per bill	\$10.90 per lamp per bill	
100 WATT HPS LAMPS		\$11.35 " " " "	\$11.71 " " " "	
150 WATT HPS LAMPS		\$13.26 " " " "	\$13.03 " " " "	
175 WATT MV LAMPS		\$15.13 " " " "	\$13.63 " " " "	
250 WATT MV LAMPS		\$17.81 " " " "	\$15.65 " " " "	
400 WATT MV LAMPS		\$24.08 " " " "	\$19.18 " " " "	
<u>SECURITY FLOOD LIGHTING</u>				
70 WATT HPS LAMPS		\$10.60 per lamp per bill	\$12.12 per lamp per bill	
150 WATT HPS LAMPS		\$13.26 " " " "	\$14.94 " " " "	
250 WATT HPS LAMPS		\$18.51 " " " "	\$18.38 " " " "	
400 WATT HPS LAMPS		\$23.28 " " " "	\$22.21 " " " "	
70 WATT MH LAMPS		\$11.74 " " " "	\$12.12 " " " "	
150 WATT MH LAMPS		\$14.69 " " " "	\$14.94 " " " "	
250 WATT MH LAMPS		\$20.51 " " " "	\$18.38 " " " "	
400 WATT MH LAMPS		\$25.78 " " " "	\$22.21 " " " "	
POLES Wood		\$6.00 per pole per bill	\$7.00 per pole per bill	
Non-Wood		\$14.20 " " " "	\$13.00 " " " "	
Fuel Adjustment Surcharge		\$0.00242 per kWh	NA	
<u>STREET LIGHTING SERVICE -- SL-1 (COMPANY OWNED AND COMPANY MAINTAINED)</u>				
Distribution Service Charge		\$2.85 per lamp per bill	\$2.85 per lamp per bill	
Electricity Service Unit Charge		\$0.06073 per kWh	\$0.05714 per kWh	
<u>OVERHEAD SERVICE (Facilities Charges)</u>				
175 WATT MV		\$5.75 per lamp per bill	\$6.40 per lamp per bill	
250 WATT MV		\$6.65 " " " "	\$6.50 " " " "	
400 WATT MV		\$9.40 " " " "	\$8.40 " " " "	
70 WATT HPS		\$3.45 " " " "	\$4.70 " " " "	
100 WATT HPS		\$3.75 " " " "	\$4.80 " " " "	
150 WATT HPS		\$4.60 " " " "	\$5.40 " " " "	
200 WATT HPS		\$5.80 " " " "	\$6.30 " " " "	
250 WATT HPS		\$7.20 " " " "	\$7.00 " " " "	
300 WATT INC		\$6.20 " " " "	\$7.00 " " " "	
<u>MIDNIGHT</u>				
400 WATT MV MN		\$9.40 " " " "	\$8.40 " " " "	
<u>UNDERGROUND SERVICE (Facilities Charges)</u>				
70 WATT HPS ANEN		\$13.10 per lamp per bill	\$15.10 per lamp per bill	
100 WATT HPS ANEN		\$13.50 " " " "	\$15.20 " " " "	
150 WATT HPS ANEN		\$14.40 " " " "	\$15.40 " " " "	
200 WATT HPS ANEN		\$15.60 " " " "	\$15.60 " " " "	
250 WATT HPS ANEN		\$16.80 " " " "	\$16.30 " " " "	

MADISON GAS AND ELECTRIC COMPANY
PRESENT & AUTHORIZED RATES (includes Final Surcharge)
TEST YEAR ENDING DECEMBER 31, 2008

TYPE OF SERVICE	Monthly Equivalent	PRESENT RATES	AUTHORIZED RATES	Monthly Equivalent
<u>STREET LIGHTING SERVICE -- SL-2 (CUSTOMER OWNED AND CUSTOMER MAINTAINED)</u>				
Distribution Service Charge		\$2.85 per lamp per bill	\$2.85 per lamp per bill	
Electricity Service Unit Charge		\$0.06073 per kWh	\$0.05714 per kWh	
<u>Note: Below are the monthly SL-2 charges/lamp resulting from the Distribution Service & Electricity Service Charges, above)</u>				
<u>ALL NIGHT</u>				
100-WATT MV ANEN		\$4.85 per lamp per bill	\$5.08 per lamp per bill	
175-WATT MV ANEN		\$6.37 " " " "	\$6.74 " " " "	
250-WATT MV ANEN		\$7.89 " " " "	\$8.28 " " " "	
400-WATT MV ANEN		\$10.95 " " " "	\$11.54 " " " "	
70-WATT HPS ANEN		\$4.25 " " " "	\$4.45 " " " "	
100-WATT HPS ANEN		\$4.85 " " " "	\$5.08 " " " "	
150-WATT HPS ANEN		\$5.89 " " " "	\$6.11 " " " "	
200-WATT HPS ANEN		\$6.92 " " " "	\$7.14 " " " "	
250-WATT HPS ANEN		\$7.89 " " " "	\$8.28 " " " "	
400-WATT HPS ANEN		\$10.93 " " " "	\$11.25 " " " "	
35 WATT LPS ANEN		\$3.58 " " " "	\$3.65 " " " "	
55-WATT LPS ANEN		\$3.94 " " " "	\$4.05 " " " "	
90-WATT LPS ANEN		\$4.67 " " " "	\$4.85 " " " "	
50-WATT MH ANEN		\$3.88 " " " "	\$4.05 " " " "	
70-WATT MH ANEN		\$4.25 " " " "	\$4.45 " " " "	
100-WATT MH ANEN		\$4.85 " " " "	\$5.08 " " " "	
175-WATT MH ANEN		\$6.37 " " " "	\$6.68 " " " "	
<u>MIDNIGHT SCHEDULE</u>				
250-WATT MV MN		\$5.40 per lamp per bill	\$5.59 per lamp per bill	
400-WATT MV MN		\$6.92 " " " "	\$7.19 " " " "	
70-WATT HPS MN		\$3.58 " " " "	\$3.65 " " " "	
100-WATT HPS MN		\$3.88 " " " "	\$3.99 " " " "	
150-WATT HPS MN		\$4.37 " " " "	\$4.51 " " " "	
200-WATT HPS MN		\$4.85 " " " "	\$5.02 " " " "	
250-WATT HPS MN		\$5.40 " " " "	\$5.59 " " " "	
400-WATT HPS MN		\$6.92 " " " "	\$7.02 " " " "	
35 WATT LPS MN		\$3.21 " " " "	\$3.25 " " " "	
55-WATT LPS MN		\$3.40 " " " "	\$3.48 " " " "	
90-WATT LPS MN		\$3.76 " " " "	\$3.88 " " " "	
70-WATT MH MN		\$3.58 " " " "	\$3.65 " " " "	
100-WATT MH MN		\$3.88 " " " "	\$3.99 " " " "	
175-WATT MH MN		\$4.61 " " " "	\$4.74 " " " "	

MADISON GAS AND ELECTRIC COMPANY
PRESENT & AUTHORIZED RATES (includes Final Surcharge)
TEST YEAR ENDING DECEMBER 31, 2008

TYPE OF SERVICE	Monthly Equivalent	PRESENT RATES	AUTHORIZED RATES	Monthly Equivalent
<u>STREET LIGHTING SERVICE -- SL-2 (CUSTOMER OWNED & MAINTAINED) (Continued)</u>				
<u>10:30 P.M. SCHEDULE</u>				
400-WATT MV 10:30		\$5.77 per lamp per bill	\$5.99 per lamp per bill	
70-WATT HPS 10:30		\$3.34 " " " "	\$3.42 " " " "	
100-WATT HPS 10:30		\$3.58 " " " "	\$3.65 " " " "	
150-WATT HPS 10:30		\$3.94 " " " "	\$4.05 " " " "	
200-WATT HPS 10:30		\$4.31 " " " "	\$4.39 " " " "	
250-WATT HPS 10:30		\$4.67 " " " "	\$4.79 " " " "	
400-WATT HPS 10:30		\$5.77 " " " "	\$5.88 " " " "	
<u>3:00 A.M. SCHEDULE</u>				
100-WATT MV 3AM		\$4.37 per lamp per bill	\$4.51 per lamp per bill	
70-WATT HPS 3AM		\$3.94 " " " "	\$4.05 " " " "	
100-WATT HPS 3AM		\$4.37 " " " "	\$4.51 " " " "	
150-WATT HPS 3AM		\$5.16 " " " "	\$5.31 " " " "	
200-WATT HPS 3AM		\$5.89 " " " "	\$6.11 " " " "	
250-WATT HPS 3AM		\$6.68 " " " "	\$6.91 " " " "	
400-WATT HPS 3AM		\$8.92 " " " "	\$9.14 " " " "	
70-WATT MH 3AM		\$3.94 " " " "	\$4.05 " " " "	
100-WATT MH 3AM		\$4.37 " " " "	\$4.51 " " " "	
175-WATT MH 3AM		\$5.52 " " " "	\$5.71 " " " "	
<u>STREET LIGHTING SERVICE -- SL-3 (CUSTOMER OWNED AND COMPANY MAINTAINED)</u>				
Distribution Service Charge		\$2.85 per lamp per bill	\$2.85 per lamp per bill	
Electricity Service Unit Charge		\$0.06073 per kWh	\$0.05714 per kWh	
<u>OVERHEAD SERVICE (Maintenance Charges)</u>				
<u>ALL NIGHT SCHEDULE</u>				
70 WATT HPS ANEN		\$0.80 per lamp per bill	\$1.10 per lamp per bill	
100 WATT HPS ANEN		\$0.90 " " " "	\$1.10 " " " "	
150 WATT HPS ANEN		\$1.05 " " " "	\$1.10 " " " "	
200 WATT HPS ANEN		\$1.65 " " " "	\$1.50 " " " "	
250 WATT HPS ANEN		\$2.35 " " " "	\$1.50 " " " "	
<u>OVERHEAD SERVICE (Maintenance Charges)</u>				
<u>MIDNIGHT SCHEDULE</u>				
70 WATT HPS MN		\$0.80 per lamp per bill	\$1.10 per lamp per bill	
100 WATT HPS MN		\$0.90 " " " "	\$1.10 " " " "	
150 WATT HPS MN		\$1.05 " " " "	\$1.10 " " " "	
200 WATT HPS MN		\$1.20 " " " "	\$1.20 " " " "	
250 WATT HPS MN		\$1.25 " " " "	\$1.50 " " " "	

MADISON GAS AND ELECTRIC COMPANY
PRESENT & AUTHORIZED RATES (includes Final Surcharge)
TEST YEAR ENDING DECEMBER 31, 2008

TYPE OF SERVICE	Monthly Equivalent	PRESENT RATES	AUTHORIZED RATES	Monthly Equivalent
<u>STREET LIGHTING SERVICE -- SL-3 (CUSTOMER OWNED AND COMPANY MAINTAINED) (Continued)</u>				
<u>UNDERGROUND SERVICE (Maintenance Charges)</u>				
<u>ALL NIGHT SCHEDULE</u>				
175 WATT MV ANEN		\$1.20 per lamp per bill	\$1.10 per lamp per bill	
250 WATT MV ANEN		\$2.40 " " " "	\$1.50 " " " "	
70 WATT HPS ANEN		\$0.80 " " " "	\$1.10 " " " "	
100 WATT HPS ANEN		\$0.90 " " " "	\$1.10 " " " "	
150 WATT HPS ANEN		\$1.05 " " " "	\$1.10 " " " "	
200 WATT HPS ANEN		\$1.65 " " " "	\$1.50 " " " "	
250 WATT HPS ANEN		\$2.35 " " " "	\$1.50 " " " "	
<u>MIDNIGHT SCHEDULE</u>				
100 WATT HPS MN		\$0.90 " " " "	\$1.10 " " " "	
150 WATT HPS MN		\$1.05 " " " "	\$1.10 " " " "	
250 WATT HPS MN		\$1.25 " " " "	\$1.50 " " " "	
<u>BACKUP GENERATION SERVICE (BGS)</u>				
Diesel Generators	\$1.50	\$0.04932 per kW per day	\$0.04932 per kW per day	\$1.50
Diesel Generators - New Contract	\$2.00	\$0.06575 " " " "	\$0.06575 " " " "	\$2.00
Natural Gas Generators	\$3.50	\$0.11507 " " " "	\$0.11507 " " " "	\$3.50
Natural Gas Generators - New	\$4.00	\$0.13151 " " " "	\$0.13151 " " " "	\$4.00
<u>RESIDENTIAL WIND ENERGY (RWE-1)</u>				
Incremental Charge for Wind Energy		\$0.02680 per kWh	\$0.01000 per kWh	
<u>BUSINESS WIND ENERGY (BWE-1)</u>				
Incremental Charge for Wind Energy		\$0.02680 per kWh	\$0.01000 per kWh	
<u>PARALLEL GENERATION (Pg-1)</u>				
Customer Charge				
Single Phase	\$6.80	\$0.22356 per bill per day	\$0.23010 per bill per day	\$7.00
Three Phase	\$8.00	\$0.26300 " " " "	\$0.27290 " " " "	\$8.30
ENERGY PAYMENTS TO CUSTOMER:				
Electric Charge				
Primary Service, On-Peak		\$0.07800 per kWh	\$0.06252 per kWh	
Primary Service, Off-Peak		\$0.04110 " "	\$0.04376 " "	
Secondary Service, On-Peak		\$0.07690 " "	\$0.06199 " "	
Secondary Service, Off-Peak		\$0.04070 " "	\$0.04346 " "	
<u>PRIMARY & TRANSFORMER DISCOUNTS (Applicable to certain C/I customer classes)</u>				
Pri. Voltage Energy Discount		(\$0.00100) per kWh	(\$0.00100) per kWh	
Pri. Voltage Demand Discount	(\$0.00328)	(\$0.00011) per kW per day	(\$0.00011) per kW per day	(\$0.00328)
Transformer Demand Discount	(\$0.10)	(\$0.00328) " " " "	(\$0.00328) " " " "	(\$0.10)

MADISON GAS AND ELECTRIC COMPANY

Amendment No. ?

ELECTRIC VOLUME 2

Short-Term Interruptible Replacement Service	Rate Schedule STIR
Effective in: All territory served.	
<p>AVAILABILITY</p> <p>Available to any customer taking service under the Is-1 or Is-2 Interruptible Service Riders.</p> <p>RATE</p> <p>The Short-Term Interruptible Replacement service charge shall be the greater of (1) the contracted cost of short-term replacement capacity, plus 10 percent for administrative costs, or (2) \$1.20 per kW week. All energy associated with STIR service will be billed under the rate schedule applicable to the firm portion of the customer's load.</p> <p>The customer may negotiate with the Company the maximum they are willing to pay for replacement service. If the replacement service is not available at or below the maximum price the customer is willing to pay, no purchase shall take place.</p> <p>CONDITIONS OF DELIVERY</p> <ol style="list-style-type: none"> 1. STIR service is service provided by the Company to allow customers to replace all or part of their load designated as interruptible with firm demand. 2. STIR service may only be purchased by the customer in one-week increments. The customer will be allowed to purchase no more than three weeks of STIR service in any calendar year and no more than one week out of any four continuous week period. 3. The customer must notify the Company no less than one week in advance of the period the customer seeks STIR service to take effect and must specify the kW of STIR service being requested. Customers with less than 500 kW of load designated as interruptible must request STIR service for their entire interruptible load. 4. The Company will use its currently owned or contracted capacity to provide STIR service whenever possible. When additional purchases are required, the Company shall endeavor to purchase the least cost combination of price and quantity which is sufficient to meet the customer's STIR service needs. 	
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<p>Effective: January 1, 2008</p> <p>PSCW Authorization: By Order in Docket 3270-UR-115 dated December ?, 2007; File No. 3270.</p>	

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MADISON GAS AND ELECTRIC COMPANY

Amendment No. ?

ELECTRIC VOLUME 2

Backup Generation Service Rider - Pilot Program	Rate Schedule BGS
Effective in: All territory served.	
<p>AVAILABILITY</p> <p>Service under this voluntary schedule is available to customers on demand-metered rate schedules Cg-1, Cg-2, Cg-4, Cg-6, Sp-3, and Sp-4 who contract for service for an initial period of five years or more. Participation in this program will be limited to a 50 MW total customer load.</p> <p>If the customer maximum 15-minute demand level falls below 75 kW, the Company will determine if it is reasonable to remove the BGS generator from the customer and discontinue BGS at that site or retain BGS at the customer site and charge for BGS based on the minimum demand volume determined in the rate provision below. Factors such as generator size, potential use of the generator elsewhere, future customer demand, and special usage circumstances will be considered in making this decision. If the Company determines it is appropriate to keep the BGS generator at the customer location, the customer may choose to continue BGS service but must agree to the minimum demand charge as described under the rate provision below.</p> <p>RATE</p> <p>All the provisions of the applicable Cg-1, Cg-2, Cg-4, Cg-6, Sp-3, and Sp-4 rate schedules will apply. In addition:</p> <ol style="list-style-type: none"> 1. Customers taking firm service under this schedule will have an additional charge for backup service applied to the customer maximum 15-minute demand as follows: <ol style="list-style-type: none"> a. Customers who initiated service prior to July 1, 2006, will have the charge designated below applied to the greater of the customer maximum 15-minute demand or 75 kW. b. Customers who initiated service on and after July 1, 2006, will have the charge designated below applied to the greater of the customer maximum 15-demand, 50 percent of the highest customer maximum 15-minute demand experienced by the customer during the time period the customer is served under this rate schedule, or 75 kW. c. Customers who request redundant on-site BGS capacity, and such added capacity is available to the Company under the existing terms of the tariff, will have the charge designated below applied to the standby-rated capacity of the redundant generator. Redundant on-site BGS capacity in this rate schedule means any BGS generator(s) in addition to the generator(s) deemed appropriate by the Company to supply the customer maximum 15-minute demand at the time of installation. 	
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MADISON GAS AND ELECTRIC COMPANY

Amendment No. ?

ELECTRIC VOLUME 1

Backup Generation Service Rider - Pilot Program	Rate Schedule BGS
Effective in: <u>All territory served.</u>	
<p>RATE (continued)</p> <p>2. Customers taking interruptible or supplemental service will have an additional charge for backup service applied to the minimum contract firm demand level as identified below.</p> <ul style="list-style-type: none"> a. For diesel-fueled generators, \$0.04932 per kW per day for continuing contracts. b. For diesel-fueled generators, \$0.06575 per kW per day for renewed contracts. c. For natural gas-fueled generators, \$0.11507 per kW per day for continuing contracts. d. For natural gas-fueled generators, \$0.13151 per kW per day for renewed contracts. <p>CONDITIONS OF DELIVERY</p> <p>1. A customer receiving service under this rider must enter into a contract that identifies the size of the generator specified and installed by the Company and the customer's expected annual maximum load.</p> <p>2. A customer that receives electric service through more than one distribution service feed at a single location (premise) may choose to take backup service under this schedule for all or only some of the service feeds at that location. The Company may require the customer to pay in advance of installation for any additional metering or measurement equipment necessary for the customer to take backup service for less than the entire premise.</p> <p>For firm service customers, backup generation service must be taken for the entire load at each distribution service chosen. For purposes of this schedule, the customer maximum 15-minute demand will be the greatest rate at which electrical energy has been used for the distribution service feeds chosen during any 15 consecutive minutes in the current or preceding 11 billing months.</p> <p>For interruptible and supplemental service customers, backup generation service must be taken for the full amount of the customer's minimum contract firm demand level. For purposes of this schedule, the contract firm demand level will be the customer's contract firm demand level in effect at the time the customer enters into the BGS contract with the Company.</p> <p>3. The contract will have an initial term of five or more years. At the end of the initial term the contract will be automatically renewed on an annual basis unless written notice from either party is delivered to the other party no later than 180 days prior to the end of the contract term.</p>	
Issued: December x, 2007	Next Page is Sheet No. E 40.02
<p>Effective: January 1, 2008</p> <p>PSCW Authorization: By Order in Docket 3270-UR-115 dated December ?, 2007; File No. 3270.</p>	

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MADISON GAS AND ELECTRIC COMPANY

Amendment No. ?

ELECTRIC VOLUME 1

Backup Generation Service Rider - Pilot Program	Rate Schedule BGS
Effective in: All territory served.	
<p>CONDITIONS OF DELIVERY (continued)</p> <ol style="list-style-type: none"> 4. The authorized rate in effect at the time the initial contract term begins for a customer will remain fixed for that customer for the entire initial contract term, regardless of other changes that may from time to time be approved by the Public Service Commission of Wisconsin. At the end of the initial term, service will be charged at the authorized rate in effect at the time. 5. The Company will work with the customer to determine where to install the generator and associated equipment. The facilities will comply with Wisconsin State Electrical Code, local ordinances, and accepted engineering and planning practices and will be connected to the Company's system over the most direct route as determined by the Company. The Company is responsible for maintaining facilities in compliance with applicable regulations and ordinances that may change over the term of the contract. 6. The customer will provide or will be responsible for the cost of all right-of-way easements and building permits necessary for the Company to connect the generator to the Company's system and to install, maintain, or replace distribution facilities where necessary. 7. The customer will supply the space for the generator and a concrete pad as specified by the Company. The customer will either clear and grade such property and pour the pad or pay the Company to clear and grade such property and pour the pad. 8. The Company is responsible for installation and backfilling as necessary. The customer is responsible for the cost of restoration of the property after the Company has completed installation and backfilling where applicable. 9. If the generator installation requires nonstandard service facilities or if the customer requests nonstandard facilities or design, including but not limited to aesthetics, noise attenuation, exhaust ventilation, or location on the customer's premise, the Company will require the customer to pay a contribution in advance of construction for the cost of the facilities in excess of standard design. 10. The customer will be required to make the Company equipment available and permit entry upon the property by Company personnel at reasonable times for the purposes of testing, maintenance, and replacement of the equipment. The Company will be responsible for testing the generator at least once a year to ensure the equipment is in proper working condition. 11. The Company reserves the right to operate the generator to meet system load requirements. 	
Issued:	Next Page is Sheet No. E 40.03
Effective: PSCW Authorization:	

MADISON GAS AND ELECTRIC COMPANY

Amendment No. ?

ELECTRIC VOLUME 2

ELECTRIC VOLUME 2		Rate Schedule
Backup Generation Service Rider - Pilot Program		BGS
Effective in: All territory served.		
CONDITIONS OF DELIVERY (continued)		
<p>12. The availability of service under this schedule may be limited at the discretion of the Company. Service under this schedule may be refused if the Company believes the customer presents an unacceptable credit risk or cannot provide or meet suitable generator siting requirements, including physical and environmental restrictions and liability limitations.</p> <p>13. Service under this schedule will be furnished only in accordance with the Electric Service Rules and Regulations of the Company.</p> <p>14. Energy furnished under this schedule will not be resold by the Customer.</p>		
Issued:	Next Page is Sheet No. E 41	
Effective:		
PSCW Authorization:		

MADISON GAS AND ELECTRIC COMPANY

Amendment No. ?

ELECTRIC VOLUME 2

Residential Renewable Energy Program	Rate Schedule RWE-1
Effective in: All territory served.	
<p>AVAILABILITY</p> <p>Service under this voluntary schedule is available to residential customers on Rate Schedules Rg-1, Rg-2, Rg-3, and Rw-1.</p> <p>RATE</p> <p>All of the provisions of the applicable Rg-1, Rg-2, Rg-3, and Rw-1 rate schedules will apply, with the exception that customers served on this rider who:</p> <ol style="list-style-type: none"> 1. Elect to purchase a block of energy will have a Renewable Energy Charge equal to \$0.0100 per kWh multiplied by the contracted monthly kWh block size added to each bill; or 2. Elect to purchase a percent of their energy under this rider will have an incremental energy charge of \$0.0100 per kWh applied to the contracted percentage of kWh each billing period. <p>The charge above is in addition to the monthly energy charges on the customer's standard applicable tariff rate.</p> <p>All energy purchased under this rider is exempt from fuel cost surcharges and credits.</p> <p>SPECIAL TERMS AND PROVISIONS</p> <ol style="list-style-type: none"> 1. Energy produced by renewable energy projects may be limited, and service under this rider may be limited at the discretion of the Company, based on the expected level of renewable energy available. 2. Changes in the weather, renewable energy market, and other factors may result in less renewable power being generated than predicted. Upon review at the end of each calendar year, if annual energy produced and purchased from renewable energy sources was not sufficient to meet actual customer purchases, the Company will refund each currently participating customer, at the time of the review, an amount equal to \$0.0100 per kWh multiplied by the difference between the actual renewable energy kWh delivered and the renewable energy kWh the customer committed to purchase. 3. Due to the fact this service is optional and increases utility bills, the Company may limit customer participation in the program based on bill payment and collection histories. 4. The Company may establish minimum block sizes and percentages for participants under this program. Customers who previously took service on this tariff prior to the effective date of the order in Docket 3270-UR-115 at a 150-kWh block size may continue service under this block size unless they subsequently change their service election. 	
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MADISON GAS AND ELECTRIC COMPANY

Amendment No. ?

ELECTRIC VOLUME 2

Business Renewable Energy Program	Rate Schedule BWE-1
Effective in: All territory served.	
<p>AVAILABILITY</p> <p>Service under this voluntary schedule is available to commercial and industrial customers on rate schedules Cg-1, Cg-2, Cg-3, Cg-4, Cg-5, Cg-6, Cp-1, Sp-3, Sp-4, Sp-5, Gf-1, Mg-2, MLS, OL-1, SL-1, SL-2, and SL-3 who contract with the Company to purchase a block of renewable energy.</p> <p>RATE</p> <p>All of the provisions of the applicable rate schedules will apply, with the exception that customers served on this rider who:</p> <ol style="list-style-type: none"> 1. Elect to purchase a block of energy will have a Renewable Energy Charge equal to \$0.0100 per kWh multiplied by the contracted monthly kWh block size added to each bill; or 2. Elect to purchase a percent of their energy under this rider will have an incremental energy charge of \$0.0100 per kWh applied to the contracted percentage of kWh each billing period. <p>The charge above is in addition to the monthly energy charges on the customers' standard file tariff rate.</p> <p>All energy purchased under this rider is exempt from fuel cost surcharges and credits.</p> <p>SPECIAL TERMS AND PROVISIONS</p> <ol style="list-style-type: none"> 1. Energy produced by renewable energy projects may be limited, and service under this rider may be limited at the discretion of the Company, based on the expected level of renewable energy available. 2. Changes in the weather, renewable energy market, and other factors may result in less renewable power being generated than predicted. Upon review at the end of each calendar year, if annual energy produced and purchased from renewable energy sources was not sufficient to meet actual customer purchases, the Company will refund each currently participating customer, at the time of the review, an amount equal to \$0.0100 per kWh multiplied by the difference between the actual renewable energy kWh delivered and the renewable energy kWh the customer committed to purchase. 3. Due to the fact this service is optional and increases utility bills, the Company may limit customer participation in the program based on bill payment and collections histories. 	
Issued: December x, 2007	Next Page is Sheet No. E 44.01
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MADISON GAS AND ELECTRIC COMPANY

Amendment No. ?

ELECTRIC VOLUME 2

Business Renewable Energy Program		Rate Schedule BWE-1
Effective in: All territory served.		
SPECIAL TERMS AND PROVISIONS (continued)		
<p>4. The Company may establish minimum block sizes and percentages for participants under this program. If the existing service level is below newly established minimums, customers who previously took service on this tariff prior to the effective date of the order in Docket 3270-UR-115 may continue service under either the block size or percentage level as of that date unless they subsequently change their service election.</p> <p>5. If a customer desires to lock in the renewables adder rate effective at the time the customer initiates service under this rate schedule, the customer may do so by signing a multiyear contract for service for a period of time up to ten years. Customers who elect this option will remain on service for the term of the contract at the rate effective at the time the contract is entered, regardless of changes from time to time that may be authorized in the rate schedule. Service can be continued after the term of the contract, if available, at the authorized rate that is then effective. Customers who do not elect the contract option will receive service at the currently effective rates, which are subject to change as authorized by the Public Service Commission of Wisconsin.</p>		
Issued: December x, 2007	Next Page is Sheet No. E 45	
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ELECTRIC VOLUME 2

Miscellaneous Service Charges	Rate Schedule MSC
Effective in: All territory served.	
Distribution Extension Embedded Cost Allowances:	
Per customer billed on an energy-only basis	\$667.00
Per kW of demand for energy and demand billed customers	\$80.00
Per fixture for streetlighting installations	\$41.00
Insufficient Funds Charge	\$20.00
Low-Voltage Network System Service Lateral Charge per Foot	\$50.00
Preferred Service Charges:	
After regular working hours or within the same half working day	\$10.00
Weekend or holiday	\$20.00
Reconnection Charges:	
During regular business hours	\$27.00
All other times, regular fee plus overtime not to exceed	\$42.00
Stray-Voltage Isolator Lease Rate (per month)	\$35.00
Temporary Service Charge	\$72.00
Issued: December x, 2007	Next Page is Sheet No. E 56
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Amendment No. ?

ELECTRIC VOLUME 2

Experimental Photovoltaic Parallel Generation	Rate Schedule Pg-4
<p>Effective in: All territory served.</p> <p>AVAILABILITY</p> <p>Available to customers in good standing of the Company with their own photovoltaic (PV) electric generation facilities who wish to sell the energy generated by their facility to the Company. Eligibility for this experimental tariff is limited to customers who have had a meter set date for their installation of March 6, 2007, or later.</p> <p>Customers must be a retail electric customer of the Company and also take service under one of the renewable energy programs (Rate Schedule RWE-1 or BWE-1) at least at the level of AC energy produced by the customer's PV system on an annual basis.</p> <p>Participation in this experimental tariff will be limited to 150-kW DC of nameplate customer PV generation, to be filled on a first-come, first-served basis as determined by an interconnection agreement for the installation signed by both the customer and the Company. Minimum installation size is 1-kW DC and maximum installation size is 10-kW DC.</p> <p>RATE</p> <p>The customer will receive a monthly credit of \$0.25/kWh AC for PV energy sold to the Company.</p> <p>SERVICE COMPATIBILITY</p> <p>The customer must generate electric power at the same characteristic, voltage, and frequency as the customer receives service from the Company without creating an undue imbalance in the system and will be subject to the same electric service rules as are the general service customers of the Company.</p> <p>Safety of the physical well-being of all persons will be paramount under all considerations and aspects of the construction, operation, and maintenance of generating equipment operated in parallel with the Company's system.</p>	
Issued: December x, 2007	Next Page is Sheet No. E 56.01
<p>Effective: January 1, 2008</p> <p>PSCW Authorization: By Order in Docket 3270-UR-115 dated December ?, 2007; File No. 3270.</p>	

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ELECTRIC VOLUME 2

Experimental Photovoltaic Parallel Generation	Rate Schedule Pg-4
Effective in: All territory served.	
<p>METERING AND SERVICE FACILITIES</p> <p>The customer will pay for the cost of rebuilding any Company facilities required to adequately accommodate the parallel generation system and will provide proof of compliance with all applicable local, state, and national electrical and safety codes in writing. These costs may be paid by the customer over a time period not to exceed 24 months from billing by the Company. A finance charge will be added to all amounts not paid within 30 days of billing.</p> <p>Two utility meters are required for this program and provided by the Company. The customer must provide a suitable two meter socket that meets all codes and standards for grid-connected terrestrial power systems.</p> <p>INTERCONNECTION FACILITIES</p> <p>The customer will furnish, install, operate, and maintain facilities such as manual lockable disconnect(s), relays, switches, synchronizing equipment, monitoring equipment, a two-meter socket for the customer generation and billing meters, and control and protective devices designated by the Company as suitable for parallel operation with the Company system. Such facilities and schemes will be reviewed and approved by the Company prior to interconnection. Interconnection equipment designed to isolate the customer's generation from the Company's system will be accessible at all times to authorized Company personnel. All other equipment will be accessible to the Company periodically for routine testing.</p> <p>Customer generation equipment will be of such design as to prevent undesirable effects upon the operation of standard services or equipment of the Company, its customers, or other utilities or agencies (for example, telephone, radio, or television interference).</p> <p>In all respects, the generation equipment and its connection to the Company's system will conform to the guidelines and interconnection rules in Wisconsin Administrative Code 119.04.</p> <p>CONTRACT</p> <p>The Company will require a ten-year contract specifying technical and operating aspects of the PV system, as specified in the "PV Generation Interconnection Agreement (10-kW DC or less)". The effective date of this agreement will be the date that the Company signs this agreement. The customer has 12 months from the effective date of this agreement to interconnect and deliver energy to the Company.</p> <p>Customers have the right to appeal to the PSCW if they believe the contract required by the Company is unreasonable.</p>	
Issued: December x, 2007	Next Page is Sheet No. E 56.02
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ELECTRIC VOLUME 2

Experimental Photovoltaic Parallel Generation	Rate Schedule Pg-4
Effective in: All territory served.	
<p>LIABILITY OF THE PARTIES</p> <p>Customer will secure liability insurance that provides protection against claims for damages resulting from (i) bodily injury, including wrongful death, and (ii) property damage arising out of customer's ownership and/or operation of the facility. The limits of the policy will be at least \$300,000 per occurrence or prove financial responsibility by another method acceptable and approved in writing by the Company. The failure of the customer or the Company to enforce the minimum levels of insurance does not relieve the customer from maintaining such levels of insurance or relieve the customer of any liability. The customer will provide the Company with a certificate of insurance containing a minimum 30-day notice of cancellation prior to execution of the agreement.</p> <p>Each of the parties will indemnify and save harmless the other party against any and all damages to persons or property occasioned, without the negligence of such other party, by the maintenance and operation by such parties of their respective lines and other electrical equipment.</p> <p>ENERGY CREDITS</p> <p>All renewable energy credits and benefits, emissions allowances, or other renewable energy, air emissions, or environmental benefits for which the PV generation project qualifies under any existing or future applicable law relating to renewable energy projects will be the property of the Company.</p>	
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ELECTRIC VOLUME 2

Table of Contents - Electric Service Rules and Regulations		Rate Schedule
Effective in: All territory served.		
<p>Title Page - Electric Service Rules and Regulations</p> <p>Table of Contents E 60</p> <p>Information Available to Customers E 62</p> <p>Application for Service E 62</p> <p>Responsibility for Use of Service E 62</p> <p>Diversion of Service E 62.01</p> <p>Discontinuance of Service E 62.02</p> <p>Preferred Service Charges E 62.02</p> <p>Deposit Rule E 64</p> <p>Guarantee E 64.01</p> <p>Disconnection of Service E 66</p> <p>Reconnection of Service E 66</p> <p>Reconnection Charges E 66</p> <p>Deferred Payment Agreement E 66</p> <p>Dispute Procedures E 66</p> <p>Customer Complaints E 66</p> <p>Application of Rates E 68</p> <p>Meter Readings and Billing Periods E 70</p> <p>Billing E 70</p> <p>Payments E 70</p> <p>Late Payment Charge E 70.01</p> <p>Budget Payment Plan E 70.01</p> <p>Meter Installations and Sealing of Meters E 72</p> <p>Meter Tests E 72</p> <p>Billing Dead Meters and Meters Showing Under-Registration E 72</p> <p>Refunds for Fast Meters E 72</p> <p>Access to Customers' Premises E 72</p> <p>Billing for Grounds E 72.01</p> <p>Power Factor Correction Rule E 74</p> <p>Customer's Responsibility for Company's Equipment E 74</p> <p>Customer-Owned Electric Generating Equipment E 76</p> <p>Stray-Voltage Tariff E 78</p> <p>Character of Service E 80</p> <p>Continuity of Service E 80.01</p> <p>Low-Voltage Network System E 82</p> <p> Service Laterals E 82.01</p> <p> Distribution System E 82.01</p> <p> General E 82.02</p> <p>Meters and Meter Equipment E 84</p> <p>Table of Figures E 86</p>		
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ELECTRIC VOLUME 2

Electric Service Rules and Regulations	Rate Schedule
Effective in: All territory served.	
<p>INFORMATION AVAILABLE TO CUSTOMERS</p> <p>See Wis. Admin. Code PSC 113.0501.</p> <p>APPLICATION FOR SERVICE</p> <p>Application for electrical service will be made at the Company's General Office or at such other locations as may from time to time be authorized by the Company. Application will be accepted in person, by telephone, by e-mail through the Company's Web site (www.mge.com), or by signed application at Company discretion. Service connections and extensions will be made in accordance with filed rules and regulations.</p> <p>RESPONSIBILITY FOR USE OF SERVICE</p> <ol style="list-style-type: none">1. Receipt of service will make the receiver a customer of the Company, subject to its rates, rules, and regulations, whether service is based on contract, signed application, or otherwise.2. Subject to its rates, rules, and regulations, the Company will continue to supply service until ordered to discontinue, and the customer will be responsible for payment for all service furnished until discontinued.3. New occupants of premises previously receiving service must make official application to the Company before commencing the use of service.4. Customers who have been receiving service must notify the Company when discontinuing service; otherwise, they will be liable for the use of the service by their successors should said successors refuse to pay.5. Customers assume all responsibility on their side of the point of delivery for the service supplied or taken, as well as for the service installation, appliances and apparatus used in connection therewith, and will save the Company harmless from and against all claims for injury or damage to persons or property occasioned by or in any way resulting from such service or the use thereof on their side of the point of delivery unless such injury or damage is caused by the negligence of the Company.	
Issued: December 29, 2000	Next Page is Sheet No. E 62.01
Effective: January 1, 2001 PSCW Authorization: By Order in Docket 3270-UR-110 dated December 21, 2000.	

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ELECTRIC VOLUME 2

Electric Service Rules and Regulations	Rate Schedule
Effective in: All territory served.	
<p>DIVERSION OF SERVICE</p> <ol style="list-style-type: none"> 1. When the Company has sufficient evidence that a customer is obtaining an electrical service in whole or in part by means of devices or methods which stop or interfere with the proper metering of the electrical service being delivered to the premises or otherwise results in unmetered electrical service being delivered to the premises, the customer will be subject to disconnection under Company rules and regulations on Disconnection of Service. 2. Except as limited by law, when such diversion has been discovered by the Company, the customer will be subject to the following: <ol style="list-style-type: none"> a. The customer will be required to pay the Company for the estimated losses of revenue occasioned by the diversion for the period that customer has been responsible for paying for electrical service. The Company may, however, waive billing the customer when the projected costs of billing and recovery exceed the amount likely to be recovered. b. The customer will be required to pay the Company for any and all damages to the Company's equipment due to such diversion. c. The customer will be required to pay the Company for any and all costs incurred by the Company in investigating and correcting the diversion. d. The customer will be required to pay for any reconnection charges arising out of the diversion. e. The customer will be required to pay for the cost of making the installation tamperproof. f. The Company will bill the customer for the unmetered service, the cost of correcting the problem or damage, the reconnection charges, the cost of making the installation tamperproof, and the cost of investigation. Payment may be due within 24 hours of billing or the customer may be subject to a ten day's notice of disconnection. g. In the event any tamperproof installation so installed will be the subject of further damage or interference by the customer or customer's permittee, the Company will have the right to terminate service without further notice. 	
Issued: December x, 2007	Next Page is Sheet No. E 62.02
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ELECTRIC VOLUME 2

Electric Service Rules and Regulations	Rate Schedule
Effective in: All territory served.	
DISCONTINUANCE OF SERVICE Notice by customers of discontinuance of service will be accepted at the Company's General Office or at other such locations as may from time to time be authorized by the Company. Such notice may be made in person, by telephone, by e-mail, through the Company's Web site (www.mge.com), or in writing.	
PREFERRED SERVICE CHARGES When application is made for electrical service with the request that meters be set or read on or after regular working hours or within the same half working day, a charge per meter will be made. (See Sheet No. E54 for charges.)	
Issued: December x, 2007	Next Page is Sheet No. E 64
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Electric Service Rules and Regulations	Rate Schedule
Effective in: All territory served.	
<p>DEPOSIT RULE</p> <p>Considerations for deposit</p> <ul style="list-style-type: none"> For new residential service, see Wis. Admin. Code PSC 113.0402(1)(a)(b)(c). For existing residential service, see Wis. Admin. Code PSC 113.0402(4)(a)(b)(c). For new commercial service, see Wis. Admin. Code PSC 113.0403(1)(2)(a)(b)(c)(d)(e). For existing commercial service, see Wis. Admin. Code PSC 113.0403(5)(a)(b). <p>Amount of deposit</p> <ul style="list-style-type: none"> For new and existing residential service, see Wis. Admin. Code PSC 113.0402(7)(a)(b)(c). For new and existing commercial service, see Wis. Admin. Code PSC 113.0403(8)(a)(b)(c). <p>Deposit interest</p> <ul style="list-style-type: none"> For new and existing residential service, see Wis. Admin. Code PSC 113.0402(9)(a)(b)(c). For new and existing commercial service, see Wis. Admin. Code PSC 113.0403(9)(a)(b)(c). <p>Refund of deposit</p> <ul style="list-style-type: none"> Time of refund Payment is considered prompt if made prior to notice of disconnection for nonpayment not in dispute. <ul style="list-style-type: none"> For residential service, see Wis. Admin. Code PSC 113.0402(10)(11). For commercial service, see Wis. Admin. Code PSC 113.0403(10). Refund at termination of service <ul style="list-style-type: none"> For residential service, see Wis. Admin. Code PSC 113.0402(13). For commercial service, see Wis. Admin. Code PSC 113.0403(12). Apply deposit to arrearage <ul style="list-style-type: none"> For residential service, see Wis. Admin. Code PSC 113.0402(14)(a)(b)(c). For commercial service, see Wis. Admin. Code PSC 113.0403(13)(a)(b)(c). Method of refund <ul style="list-style-type: none"> For residential service, see Wis. Admin. Code PSC 113.0402(12). For commercial service, see Wis. Admin. Code PSC 113.0403(11). 	
<p>Issued: December 29, 2000. Reissued February 28, 2003, due to punctuation correction.</p> <p>Effective: January 1, 2001</p> <p>PSCW Authorization: By Order in Docket 3270-UR-110 dated December 21, 2000.</p>	<p>Next Page is Sheet No. E 64.01</p>

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ELECTRIC VOLUME 2

Electric Service Rules and Regulations	Rate Schedule
Effective in: All territory served.	
<p>DEPOSIT RULE (continued)</p> <p>Written explanation</p> <ul style="list-style-type: none"> For residential service, see Wis. Admin. Code PSC 113.0402(5). For commercial service, see Wis. Admin. Code PSC 113.0403(6)(a)(b). <p>Refusal or disconnection of service</p> <ul style="list-style-type: none"> For residential service, see Wis. Admin. Code PSC 113.0402(8). For commercial service, see Wis. Admin. Code PSC 113.0403(7). <p>Review</p> <p>For residential service only, see Wis. Admin. Code PSC 113.0402(11).</p> <p>Applicability</p> <ul style="list-style-type: none"> For residential service, see Wis. Admin. Code PSC 113.0402(15). For commercial service, see Wis. Admin. Code PSC 113/0403(14). <p>GUARANTEE</p> <p>Terms and conditions</p> <ul style="list-style-type: none"> For residential service, see Wis. Admin. Code PSC 113.0402(3)(a)(b)(c). For commercial service, see Wis. Admin. Code PSC 113.0403(4)(a)(b)(c). <p>Payment terms</p> <ul style="list-style-type: none"> For residential service, see Wis. Admin. Code PSC 113.0402(2). For commercial service, see Wis. Admin. Code PSC 113.0403(3). <p>Applicability</p> <p>The rules as described in Deposit Rule, Guarantee Rule, and Deferred Payment Agreement are not applicable to deposits or guarantees made in connection with financing extensions or other equipment.</p>	
Issued: December x, 2007	Next Page is Sheet No. E 66
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ELECTRIC VOLUME 2

Electric Service Rules and Regulations	Rate Schedule
Effective in: All territory served.	
<p>DISCONNECTION OF SERVICE</p> <ul style="list-style-type: none"> For residential service, see Wis. Admin. Code PSC 113.0301, 113.0304, and 113.0305. For commercial service, see Wis. Admin. Code PSC 113.0302. <p>RECONNECTION OF SERVICE</p> <p>See Wis. Admin. Code PSC 113.0303.</p> <p>RECONNECTION CHARGES</p> <p>See Sheet No. E54 for charges.</p> <p>Application</p> <ul style="list-style-type: none"> For reconnection of electrical service following disconnection for nonpayment of a required deposit or bills for electrical service. For reconnection of an electric meter for the same customer on the same premises within one year when disconnection was for reasons other than nonpayment. A reconnection charge may be applied to utility accounts of disconnected customers who reconnect their own service and the Company must disconnect the customer again. <p>DEFERRED PAYMENT AGREEMENT</p> <p>See Wis. Admin. Code PSC 113.0404.</p> <p>DISPUTE PROCEDURES</p> <p>See Wis. Admin. Code PSC 113.0407.</p> <p>CUSTOMER COMPLAINTS</p> <p>See Wis. Admin. Code PSC 113.0610.</p>	
Issued: December x, 2007	Next Page is Sheet No. E 68
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ELECTRIC VOLUME 2

Electric Service Rules and Regulations	Rate Schedule
Effective in: All territory served.	
<p>METER READINGS AND BILLING PERIODS</p> <p>See Wis. Admin. Code PSC 113.0405.</p> <p>BILLING</p> <p>See Wis. Admin. Code PSC 113.0406.</p> <p>In addition, where rental residential dwelling electrical service is in the tenant's name, and the tenant vacates the residential dwelling unit, continued electrical service for such dwelling unit will be placed in the name of the owner or property manager when the Company has no information concerning a new tenant to start service.</p> <p>The Company will provide the owner or property manager with written notice of its intent to transfer billing responsibility. Such notice will provide the owner or property manager with 15 days to notify the Company of:</p> <ol style="list-style-type: none"> 1. The name of the customer who should be placed in service, such service date not to be later than 15 days from the notice mailing date; or 2. That electrical service to the premises should be terminated. The owner or property manager must affirm to the Company that such termination will not endanger human health or life or cause damage to property during the period of disconnection. <p>PAYMENTS</p> <p>Failure to receive a bill does not relieve the customer of the obligation to make payment by the due date.</p> <p>Customers who fail to make payment by the due date are also subject to the application of the procedures provided in the Company's filed rules covering disconnection of electrical service. Payment to a third party, other than to an authorized pay station, does not constitute payment to the Company. MGE will not be responsible for disputes regarding payments to third parties which are not authorized pay stations.</p> <p>When a payment made to the Company and credited to a customer's account is reversed for insufficient funds, a charge plus applicable late payment charges will be applied to the customer's account. (See Sheet No. E54 for the charge.)</p>	
Issued: December x, 2007	Next Page is Sheet No. E 70.01
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ELECTRIC VOLUME 2

Electric Service Rules and Regulations	Rate Schedule
Effective in: All territory served.	
<p data-bbox="170 455 551 485">LATE PAYMENT CHARGE</p> <p data-bbox="170 523 700 553">See Wis. Admin. Code PSC 113.0406(1)(5).</p> <p data-bbox="170 591 546 621">BUDGET PAYMENT PLAN</p> <p data-bbox="170 659 670 689">See Wis. Admin. Code PSC 113.0406(5).</p>	
Issued: December x, 2007	Next Page is Sheet No. E 72
<p data-bbox="170 1915 485 1944">Effective: January 1, 2008</p> <p data-bbox="170 1955 1344 1985">PSCW Authorization: By Order in Docket 3270-UR-115 dated December ?, 2007; File No. 3270.</p>	

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ELECTRIC VOLUME 2

Electric Service Rules and Regulations	Rate Schedule
Effective in: All territory served.	
<p>METER INSTALLATION AND SEALING OF METERS</p> <ol style="list-style-type: none"> 1. Per PSC 113.0809, electric meters are furnished by the Company and set without charge; however, electric permits are required by the authorized inspector in the area. Affidavits are permissible for state, county, and municipal applications, as allowed by such authorities, or in those areas where inspectors are not assigned. 2. Per PSC 113.0808, meters are sealed by the Company, and such seals will not be broken or tampered with without the consent of the Company except in cases of emergency. The Company should be notified within 48 hours after the seal has been broken. <p>METER TESTS</p> <p>All meter tests, records, and billing adjustments for meters with errors greater than prescribed limits are made in accordance with rules and regulations governing electrical service by public utilities prescribed by the Commission (PSC 113.0901-0926).</p> <p>BILLING DEAD METERS AND METERS SHOWING UNDER-REGISTRATION</p> <p>See Wis. Admin. Code PSC 113.0924.</p> <p>REFUNDS FOR FAST METERS</p> <p>See PSC 113.0924.</p> <p>ACCESS TO CUSTOMERS' PREMISES</p> <p>Authorized agents of the Company will have access to customers' premises at all reasonable times for the purpose of reading meters, making repairs, making inspections, making investigations, removing Company property, or for any other purpose incident to providing service. Refusal or failure to provide authorized personnel access to Company equipment may result in disconnection of service. See Wis. Admin. Code PSC 113.0301(1)(k) and 113.0302(2)(h).</p>	
Issued: December x, 2007	Next Page is Sheet No. E 72.01
<p>Effective: January 1, 2008</p> <p>PSCW Authorization: By Order in Docket 3270-UR-115 dated December ?, 2007; File No. 3270.</p>	

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Electric Service Rules and Regulations	Rate Schedule
Effective in: All territory served.	
<p>BILLING FOR GROUNDS</p> <ol style="list-style-type: none">1. Subject to the Company's rules setting forth the method of determining a reduced rate herein authorized, if an accidental ground is found on a customer's wiring or equipment, the Company will estimate the kilowatt-hours lost and bill for them at a reduced rate not less than the generated or purchase cost of the energy, but no such adjustment will be made for energy supplied after the customer has been notified and has had an opportunity to correct the condition. Any demand (kilowatt) caused by an accidental ground will be billed at a rate lower than that filed for the class of service involved. The Company will notify the customer of the ground whenever it is found or suspected.2. The Company assumes no responsibility for injuries, damages, or losses resulting from grounds in customers' installations and has the right to disconnect a customer who fails to eliminate a ground after reasonable notice. The Company will conduct tests to ascertain the existence of a ground but will not investigate or test a customer's installation for the purpose of determining the location or the nature of such defects.	
Issued: December x, 2007	Next Page is Sheet No. E 74
Effective: January 1, 2008 PSCW Authorization: By Order in Docket 3270-UR-115 dated December ?, 2007; File No. 3270.	

MADISON GAS AND ELECTRIC COMPANY

Amendment No. ?

ELECTRIC VOLUME 2

Electric Service Rules and Regulations	Rate Schedule
Effective in: All territory served.	
<p>POWER FACTOR CORRECTION RULE</p> <ol style="list-style-type: none"> 1. When fluorescent, neon, zeon, or other hot or cold cathode types of gaseous tube lighting having similar power factor characteristics are installed and are used for illumination or decorative purposes as a major lighting source, the customer will furnish, install, and maintain, at their own expense, corrective apparatus designed to maintain, at not less than 90 percent lagging, the power factor of each unit of such equipment or groups of such equipment controlled as a unit by a single switch or its equivalent which controls only such unit. 2. When fluorescent, neon, zeon, or other hot or cold cathode types of gaseous tube lighting having similar power factor characteristics are installed and are used for advertising purposes, the customer will furnish, install, and maintain, at their own expense, equipment designed to correct the power factor of the unit to at least 85 percent lagging except that no correction will be required for any complete sign supplied from a single auxiliary transformer rated at 225-volt amperes or less. 3. The determination of power factor will be made by the wattmeter-voltmeter-ammeter method. 4. To be considered advertising, the tubing must contain a message showing either a configuration of letters, numerals, characters, or distinctive trademarks. 5. The Company may refuse or discontinue service to any such installation made after September 2, 1941, until the customer has complied with the provisions of this rule. <p>CUSTOMER'S RESPONSIBILITY FOR COMPANY'S EQUIPMENT</p> <p>The customer will be responsible for all damage to the Company's equipment caused by the customer or their permittees, including compensation for consumed energy not recorded on the meter.</p>	
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Madison Gas and Electric Company
Revenue Summary

New Margin Rate Classes Distribution Classes and Admin Cost Categories		Volumes	Current Margin & Admin Revs Per Dist. Class	+	Cost of Gas Revenues	= Rebundled Service Revs. by Dist. Class	+ Authorized Total Revenue Change/Class	= Total Bundled Rev. by Dist. Class	Percent Change
Residential Distribution (RD-1, RD-2)									
Residential with Firm Sales		91,357,110							
Residential Lifeline with Firm Sales		16,167							
Subtotal		91,373,277	\$ 37,862,226	\$	96,665,406	\$ 134,527,632	\$ 6,562,986	\$141,090,618	4.88%
Commercial / Industrial Distribution (GSD-1, 2 and 3)									
GSD-1, 2 and 3 with Firm Sales (FS-1 / FS-2)		75,114,255							
GSD-1, 2 and 3 with IS-1 and FS-1: Firm Nomination		413,235							
GSD-1, 2 and 3 with IS-1 and FS-1: Interruptible Portion		2,179,718							
GSD-1, 2 and 3 with Interruptible Sales (IS-1)		2,732,253							
Interdepartmental (with FS-1)		138,129							
GSD-1, 2 and 3 with Daily Balancing and FS-1 nomination - FS		-							
GSD-1, 2 and 3 with Daily Balancing and FS-1 nomination - DBS		-							
GSD-1, 2 and 3 with Daily Balancing Sales (DBS-1)		25,142,505							
Subtotal		105,720,095	\$ 17,227,009	\$	84,893,655	\$ 102,120,663	\$ 1,053,922	\$ 103,174,586	1.03%
Interruptible Generation Distribution (IGD)									
Interruptible Generation with Interdepartmental Sales		9,992,391							
Interruptible Generation with Daily Balancing (DBS-1)		18,224,495							
Subtotal		28,216,886	\$ 1,074,811	\$	9,783,037	\$ 10,857,848	\$ 62,259	\$ 10,920,107	0.57%
Steam and Power Generation Gas Distribution (SP-1)		30,608,134	\$ 1,613,638	\$	30,566,790	\$ 32,180,428	\$ 81,232	\$ 32,261,661	0.25%
Seasonal Distribution (SD-1)		2,064,635	\$ 209,651	\$	1,605,396	\$ 1,815,048	\$ 34,510	\$ 1,849,558	1.90%
Compressed Natural Gas Sales Service (CNG-1)		10,857	\$ 2,510	\$	10,710	\$ 13,221	\$ 258	\$ 13,479	1.95%
Company Use Volume		116,055							
Total Distribution Volumes		258,109,939							
Initiation Fee Revenue			\$ -	\$	-	\$ -	\$ -	\$ -	
Diff. in Current Revenue from forecast			\$ 14,278	\$	-	\$ 14,278	\$ (14,278)	\$ -	
Total Revenues by Category			\$ 58,004,124	\$	223,524,994	\$ 281,529,118	\$ 7,780,891	\$ 289,310,009	
Total Rate Revenue :						\$ 281,529,118		\$ 289,310,009	
Plus Other Non-gas Operating Revenue						\$ 678,000		\$ 678,000	
Total Gas Utility Revenues						\$ 282,207,118		\$ 289,988,009	2.76%
less Income Statement Other Revenues						\$ 445,000		\$ 445,000	
plus difference from forecast from Customer Charges						\$ -		\$ -	
Retail Rate Revenue (no Other Revenue)						\$ 281,762,118		\$ 289,543,009	2.76%

Madison Gas and Electric Company
Rate Summary

Distribution Service			Supply Options					
	Present Margin	Authorized Margin	Firm Sales			Interruptible Sales		
			FS Margin	COG ⁽¹⁾	Bundled	IS Margin	COG	Bundled
Residential, RD-1	\$9.50	\$10.25						
Customer Charge (per day)	\$ 0.3124	\$ 0.3370			\$ 0.3370			N/A
Distribution Margin (Summer per therm)	\$ 0.2303	\$ 0.2490	\$ 0.0330	\$ 1.0314	\$ 1.3134	N/A	N/A	N/A
(Winter per therm)	(Same Margin Rates)			\$ 1.0684	\$ 1.3504	N/A	N/A	N/A
Act 141 Charge	\$ -	\$ 0.0326			\$ 0.0326	N/A	N/A	N/A
Residential, RD-2	\$9.50	\$10.25						
Customer Charge (per day)	\$ 0.3124	\$ 0.3370			\$ 0.3370			N/A
Distribution Margin (Summer / therm)	\$ 0.2303	\$ 0.2490	\$ 0.0330	\$ 1.0314	\$ 1.3134	N/A	N/A	N/A
Distribution Margin (Winter / therm)	\$ 0.2103	\$ 0.2290	\$ 0.0330	\$ 1.0684	\$ 1.3304	N/A	N/A	N/A
Act 141 Charge	\$ -	\$ 0.0326			\$ 0.0326	N/A	N/A	N/A
Small Commercial & Indust., GSD-1	\$18.55	\$18.55						
Customer Charge (per day)	\$ 0.6100	\$ 0.6100			\$ 0.6100			\$0.6100
Distribution Margin (per therm)	\$ 0.1284	\$ 0.1254	\$ 0.0330	\$ 1.0314	\$ 1.1898	\$ 0.0295	\$ 0.9865 ⁽²⁾	\$1.1414
(Winter per therm)	(Same Margin Rates)			\$ 1.0684	\$ 1.2268	(Same rates apply)		
Act 141 Charge	\$ -	\$ 0.0068			\$ 0.0068			\$0.0068
Medium Commercial & Indust., GSD-2	\$105.00	\$105.00						
Customer Charge (per day)	\$ 3.4520	\$ 3.4520			\$ 3.452			\$3.452
Distribution Margin (per therm)	\$ 0.0870	\$ 0.0900	\$ 0.0330	\$ 1.0314	\$ 1.1544	\$ 0.0295	\$ 0.9865 ⁽²⁾	\$1.1060
(Winter per therm)	(Same Margin Rates)			\$ 1.0684	\$ 1.1914	(Same rates apply)		
Act 141 Charge	\$ -	\$ 0.0006			\$ 0.0006			\$0.0006
Large Commercial & Indust., GSD-3	\$608.67	\$608.67						
Customer Charge (per day)	\$ 20.0110	\$ 20.0110			\$ 20.011			\$20.01
Distribution Margin (per therm)	\$ 0.0568	\$ 0.0601	\$ 0.0330	\$ 1.0314	\$ 1.1245	\$ 0.0295	\$ 0.9865 ⁽²⁾	\$1.0761
(Winter per therm)	(Same Margin Rates)			\$ 1.0684	\$ 1.1615	(Same rates apply)		
Act 141 Charge	\$ -	\$ 0.0001			\$ 0.0001			\$0.0001
Interruptible Generation, IGD-1	\$3,102.50	\$3,102.50						
Customer Charge (per day)	\$ 102.00	\$ 102.00				\$ 31.00		\$ 133.00
Distribution Margin (per therm)	\$ 0.0316	\$ 0.0337	N/A	N/A	N/A	\$ -	\$ 0.9790 ⁽³⁾	\$1.0127
Act 141 Charge	\$ -	\$ 0.0001			\$ 0.0001			\$0.0001
Steam and Power Generation Gas Distribution (SP-1)	\$48,450.10	\$48,450.10						
Customer Charge (per day)	\$ 1,592.88	\$ 1,592.88				\$ 51.00		\$ 1,643.88
Distribution Margin (per therm)	\$ 0.0331	\$ 0.0355	N/A	N/A	N/A	\$ -	\$ 0.9790 ⁽³⁾	\$1.0145
Act 141 Charge	\$ -	\$ 0.0003			\$ 0.0003			\$0.0003
Seasonal Off-Peak Distribution, SD-1	\$45.63	\$53.23						
Customer Charge (per day)	\$ 1.5000	\$ 1.7500						\$1.7500
Distribution Margin (per therm)	\$ 0.0772	\$ 0.0873	N/A	N/A	N/A	\$ 0.0295	\$ 0.9865 ⁽²⁾	\$1.1033
Act 141 Charge	\$ -	\$ 0.0004			\$ 0.0004			\$0.0004
Compressed Natural Gas CNG-1								
Customer Charge (per day)	\$ -	\$ -						
Distribution Margin (per therm)	\$ 0.2083	\$ 0.2083	N/A	N/A	N/A	\$ 0.0295	\$0.9865 ⁽²⁾	\$1.2243
Act 141 Charge	\$ -	\$ 0.0086			\$0.00860			\$0.0086
Administrative Charges for Supply Options:			Cost of Gas Rate Factors:					
IS-1 Administrative Charge (per therm)	\$ 0.0229	\$ 0.0295	Base Average Annual Demand (D-1 Annual)			\$ 0.0449		
Added Margin for Firm Sales (per therm)	\$ 0.0021	\$ 0.0035	Base Average Seasonal Demand (D-1 Winter)			\$ 0.0370		
Total FS-1 Admin. Charge (per therm)	\$ 0.0250	\$ 0.0330	Base Average GRI Demand			\$ -		
FS-2 Winter Admin. Charge (per therm)	\$ 0.0250	\$ 0.0330	Base Average Commodity			\$ 0.9790		
IS-2 Service Charge (per cust. per day)	\$ 31.00	\$ 31.00	Base Average Balancing Reservation			\$ 0.0075		
LS-1 Service Charge (per cust. Per day)	\$ 51.00	\$ 51.00						
Telemetry Charge (per cust. per day)	\$ 1.35	\$ 1.50						
DBS Admin. Charge (per cust. per day)	\$ 3.20	\$ 3.70						
Notes:								
(1)	The firm COG has seasonal demand costs, so a Summer and Winter COG are listed.				(3)	The IS-2 Commodity Cost of Gas is the system commodity cost of gas + pipeline overrun cost + Interruptible Market Reservation rate (75%).		
(2)	These rates will also be adjusted by a monthly Interruptible Market Reservation factor. IS-1 rates shown in GSD-1 are only available to interruptible service customers that were grandfathered into the class.				The LS-1 base cost of gas for system priced supply is similar to IS-2. It does not include gas supplied out of storage.			

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INFORMATION AVAILABLE TO CUSTOMERS

See Wis. Admin. Code § PSC 134.05.

APPLICATION FOR SERVICE

Application for gas service will be accepted at the Company's General Office or at such other locations as may from time to time be authorized by the Company. Application may be made in person, by telephone, by e-mail, through the Company's Web site (www.mge.com), or by signed application at the discretion of the Company. Service connections and extensions will be made in accordance with filed rules and regulations.

RESPONSIBILITY FOR USE OF SERVICE

Receipt of service will make the receiver a customer of the Company, subject to its rates, rules, and regulations, whether service is based upon contract, signed application, or otherwise.

Subject to its rates, rules, and regulations, the Company will continue to supply service until ordered to discontinue, and the customer will be responsible for payment for all service furnished until discontinued.

New occupants of premises previously receiving service must make official application to the Company before commencing the use of service.

Customers who have been receiving service must notify the Company when discontinuing service; otherwise, they will be liable for the use of the service by their successors should said successors refuse to pay.

Customers assume all responsibility on the customer's side of the point of delivery for the service supplied or taken, as well as for the service installation, appliances, and apparatus used in connection therewith, and shall save the Company harmless from and against all claims for injury or damage to persons or property occasioned by or in any way resulting from such service or the use thereof on the customer's side of the point of delivery unless such injury or damage is caused by the negligence of the Company.

DIVERSION OF SERVICE

When the Company has sufficient evidence that a customer is obtaining a gas service in whole or in part by means of devices or methods which stop or interfere with the proper metering of the gas service being delivered to the premises or otherwise results in unmetered gas service being delivered to the premises, the customer shall be subject to disconnection under the Company's rules and regulations on disconnection.

Except as limited by law, when such diversion has been discovered by the Company, the customer shall be subject to the following:

1. The customer will be required to pay the Company for the estimated losses of revenue occasioned by the diversion for the period that customer has been responsible for paying for utility service. The Company may, however, waive billing the customer when the projected costs of billing and recovery exceed the amount likely to be recovered.
2. The customer may be required to pay the Company for any and all damages to the Company's equipment due to such diversion.
3. The customer may be required to pay the Company for any and all costs incurred by the Company in investigating and correcting the diversion.
4. The customer may be required to pay for any reconnection charges arising out of the diversion.
5. The customer may be required to pay for the cost of making the installation tamper proof.
6. The Company may bill the customer for the unmetered service, the cost of correcting the problem or damage, the reconnection charges, the cost of making the installation tamper proof, and the cost of investigation. Payment may be due within 24 hours of billing or the customer may be subject to an eight-day notice of disconnection.
7. In the event any tamper-proof installation so installed shall be the subject of further damage or interference by the customer or customer's permittees, the Company shall have the right to terminate service without further notice.

DISCONTINUANCE OF SERVICE

Notice by customers of discontinuance of service will be accepted at the Company's General Office or at other such locations as may from time to time be authorized by the Company. Such notice may be made in person, by telephone, by e-mail, or through the Company's website (www.mge.com), or in writing.

PREFERRED SERVICE CHARGES

When application is made for gas service with the request that meters be set or read after regular working hours or within the same half working day, a charge of \$10 per meter will be made. If the request is for a weekend or holiday, the charge will be \$20 per meter.

DEPOSIT RULE

Considerations for deposit

- For new residential service, see Wis. Admin. Code PSC 134.061(1)(a)(b)(c).
- For existing residential service, see Wis. Admin. Code PSC 134.061(4)(a)(b)(c).
- For new commercial service, see Wis. Admin. Code PSC 134.0615(1)(2)(a)(b)(c)(d)(e).
- For existing commercial service, see Wis. Admin. Code PSC 134.0615(5)(a)(b).

Amount of deposit

- For new and existing residential service, see Wis. Admin. Code PSC 134.061(7)(a)(b).
- For new and existing commercial service, see Wis. Admin. Code PSC 134.0615(8)(a)(b).

Deposit interest

- For new and existing residential service, see Wis. Admin. Code PSC 134.061(9)(a)(b)(c).
- For new and existing commercial service, see Wis. Admin. Code PSC 134.0615(9)(a)(b)(c).

Refund of deposit

- Time of refund
 - For residential service, see Wis. Admin. Code PSC 134.061(10)(11). Payment is considered prompt if made prior to notice of disconnection for nonpayment not in dispute.
 - For commercial service, see Wis. Admin. Code PSC 134.0615(10). Payment is considered prompt if made prior to notice of disconnection for nonpayment not in dispute.
- Refund at termination of service
 - For residential service, see Wis. Admin. Code PSC 134.061(13).
 - For commercial service, see Wis. Admin. Code PSC 134.0615(12).
- Apply deposit to arrearage
 - For residential service, see Wis. Admin. Code PSC 134.061(14)(a)(b)(c).
 - For commercial service, see Wis. Admin. Code PSC 134.0615(13)(a)(b)(c).
- Method of refund
 - For residential service, see Wis. Admin. Code PSC 134.061(12).
 - For commercial service, see Wis. Admin. Code PSC 134.0615(11).

Written explanation

- For residential service, see Wis. Admin. Code PSC 134.061(5).

- For commercial service, see Wis. Admin. Code PSC 134.0615(6)(a)(b).

Refusal or disconnection of service

- For residential service, see Wis. Admin. Code PSC 134.061(8).
- For commercial service, see Wis. Admin. Code PSC 134.0615(7).

GUARANTEE

Terms and conditions

- For residential service, see Wis. Admin. Code PSC 134.061(3)(a)(b)(c).
- For commercial service, see Wis. Admin. Code PSC 134.0615(4)(a)(b)(c).

Payment terms

- For residential service, see Wis. Admin. Code PSC 134.061(2).
- For commercial service, see Wis. Admin. Code PSC 134.0615(3).

Applicability

The rules as described in Deposit Rule, Guarantee Rule, and Deferred Payment Agreement are not applicable to deposits or guarantees made in connection with the financing of extensions or other equipment.

DISCONNECTION OF SERVICE

- For residential service, see Wis. Admin. Code § PSC 134.062; § PSC 134.0624; and § PSC 134.0625.
- For commercial service, see Wis. Admin. Code § PSC 134.0622.

RECONNECTION OF SERVICE

See Wis. Admin. Code § PSC 134.0623.

RECONNECTION CHARGES

From 8 a.m. to 4:30 p.m., Monday through Friday, except holidays: \$30. All other times: \$45.

Application

- For reconnection of gas service following disconnection for nonpayment of a required deposit or bills for gas utility service.

- For reconnection of gas service for the same customer upon the same premises within one year when disconnection was for reasons other than nonpayment.

DEFERRED PAYMENT AGREEMENT

See Wis. Admin. Code § PSC 134.063.

DISPUTE PROCEDURES

See Wis. Admin. Code § PSC134.064.

CUSTOMER COMPLAINTS

See Wis. Admin. Code § PSC 134.17.

APPLICATION OF RATES

The schedules of rates apply to gas furnished to one customer at one location for one class of service through one meter. The schedules of rates is based on delivering and billing service to the ultimate user for retail service only and does not permit resale or redistribution.

Where a single large commercial, industrial, or institutional customer occupies more than one unit of space in the conduct of the same business, each separate unit will be metered separately and considered a distinct customer, unless the customer makes the necessary provisions to permit metering of all gas used for each class of service in the various units at a single metering location. This rule shall apply only where the units are located on contiguous property with no intervening public property or private property controlled by others. Only one service connection will be provided for each class of service furnished, and the metering location shall be as close as possible to the point of service entrance.

In those cases where, at the Company's election, two or more meters are installed at a single metering location on the same premises for the same customer for the same class of service, the amount of gas supplied through all such meters will be combined in arriving at the total charge, and the minimum bill will be the same as though one meter was installed.

A "month" does not refer to a calendar month, but shall mean the period between any two scheduled consecutive readings of the meters by the Company.

When the Company is unable to obtain the reading of the meter or meters after reasonable effort, the fact will be plainly indicated on the monthly bill and an estimate may be made and so indicated on the bill.

Claims of errors should be made immediately upon receipt of bill.

METER READINGS AND BILLING PERIODS

See Wis. Admin. Code § PSC 134.12.

BILLING

See Wis. Admin. Code § PSC 134.13.

In addition, where rental residential dwelling gas service is in the tenant's name, and the tenant vacates the residential dwelling unit, continued gas service for such dwelling unit will be placed in the name of the owner or property manager when the Company has no information concerning a new tenant to start service.

The Company will provide the owner or property manager with written notice of its intent to transfer billing responsibility. Such notice will provide the owner or property manager with 15 days to notify the Company of:

1. The name of the customer who should be placed in service, such service date not to be later than 15 days from the notice mailing date; or
2. That gas service to the premises should be terminated. The owner or property manager must affirm to the Company that such termination will not endanger human health or life or cause damage to property during the period of disconnection.

PAYMENTS

Failure to receive a bill does not relieve the customer of the obligation to make payment by the due date.

Customers who fail to make payment by the due date are also subject to the application of the rules covering disconnection of gas service. Payment to a third party, other than to an authorized pay station, does not constitute payment to the Company. MGE will not be responsible for disputes regarding payments to third parties which are not authorized pay stations.

When a payment made to the Company and credited to a customer's account is reversed for insufficient funds, a charge of \$10 plus applicable late payment charges will be applied to the customer's account.

LATE PAYMENT CHARGE

See Wis. Admin. Code § PSC 134.13(1)(j).

BUDGET PAYMENT PLAN

See Wis. Admin. Code § PSC 134.13(5)(a)-(g).

METER INSTALLATION AND SEALING OF METERS

Gas meters are furnished by the Company and set without charge; however, gas space-heating installations require an authorized gas permit in the city of Fitchburg, city of Madison, city of Monona, village of Maple Bluff, village of Shorewood Hills, village of Waunakee, town of Blooming Grove, town of Madison, and town of Westport. All other areas require no gas space-heating permits.

Meters are sealed by the Company, and such seals shall not be broken or tampered with without the consent of the Company except in cases of emergency. The Company should be notified within 48 hours after the seal has been broken.

METER TESTS

Routine tests of gas meters are made in accordance with the rules prescribed by the Public Service Commission of Wisconsin.

BILLING DEAD METERS AND METERS SHOWING UNDER-REGISTRATION

See Wis. Admin. Code § PSC 134.14.

REFUNDS FOR FAST METERS

See Wis. Admin. Code § PSC 134.14.

ACCESS TO CUSTOMERS' PREMISES

Authorized agents of the Company shall have access to customers' premises at all reasonable times for the purpose of reading meters, making repairs, making inspections, making investigations, removing Company property, or for any other purpose incident to providing service.

CONTINUITY OF SERVICE

The Company will use reasonable diligence to provide an uninterrupted and regular supply of service, but it shall not be liable for any interruptions, deficiencies, or imperfections of service not due to its own negligence. The Company may temporarily suspend the delivery of service when necessary for the purpose of making repairs, changes, and improvements upon any part of its system.

The Company shall not be liable for any losses, injuries, or damages to persons or property due to disconnection of service in accordance with the disconnection rules.

LOCATION OF METERS, PRESSURE REGULATORS, AND SHUTOFFS

1. The meters, pressure regulators, and master shutoff valve shall be installed above ground outside of buildings where applicable as set forth below under "Installation of Service Laterals"; otherwise, at the point of service entrance inside the building at a location prescribed by the Company. This equipment shall be furnished and installed by the Company.
2. Meters installed inside of buildings shall be located as close as possible to the point of service entrance.
3. The customer shall provide ready access for utility employees to meter, pressure regulator, and master shutoff valve locations.
4. Gas meters, pressure regulators, and main shutoff valves shall not be installed in bedrooms, closets, bathrooms, coal bins, over doors, in very damp places, under combustible stairways, in unventilated or inaccessible places; closer than three feet to sources of ignition including furnaces and water heaters; near unprotected electric wiring or devices; in the proximity of belts, shafting, engines, or machinery; in locations where material or equipment-handling operations are carried on; in rooms which are locked; or in places dangerous to meter readers.
5. In all instances, the customer shall furnish, own, and maintain the house piping from the outlet of the meter or pressure control installation, whichever is further down stream, to the utilization equipment. In cases of multiple meter installations, a permanent tag designating the area of utilization (such as an apartment or office number) shall be attached to the house piping at the meter location. Where a concrete slab or footing is necessary for the support of the meter, pressure regulator, and associated devices, it will be the responsibility of the customer to provide such slab or footing satisfactory to the Company.

RELOCATION OF METERS, PRESSURE REGULATORS, AND SHUTOFFS AT CUSTOMER REQUEST

When requested by the customer for reasons other than set forth below in "Installation of Service Laterals," gas meters, pressure regulators, and master shutoff valve will be relocated from inside to outside of buildings to a location approved by the Company at no cost to the customer provided that the riser for the pressure regulators and meters is located within ten feet either side of the existing service lateral.

When the location of the riser is more than ten feet either side of the existing service lateral, the Company will require payment equal to the actual total cost of moving the pipe.

In all instances, the customer will be responsible for reconnecting the house piping.

PRESSURE

Standard pressure

The standard pressure at the outlet of service meters is 8" of water column. The deviations from standard pressure shall not exceed the amounts set forth in Wis. Admin. Code § PSC 134.23.

High-pressure service

Pressures in excess of the standard pressure set forth above will be provided only upon written request of the customer and subject to any or all of the following conditions:

1. Higher than standard pressure is available at the customer's premises or may be made available in accordance with the filed extension rules.
2. Higher than standard pressure is required for proper operation or economical operation of the customer's utilization equipment.
3. The customer shall provide the Company with information as to the quantity of use, the purpose for which used, and the type of gas utilization equipment.
4. The Company may require that such pressure shall conform to the pressures made available to other customers presently served from distribution facilities with similar pressure characteristics.
5. The higher than standard pressure shall be agreed upon between the customer and the Company, and the maximum pressure variation shall not exceed 15 percent of the agreed-upon pressure.
6. The customer has satisfied municipal requirements regarding house piping at other than standard pressure and has any permits, etc., required.

Measurement

For the purpose of correcting high-pressure gas measurements, the following values will be used.

Temperature Base	60 degrees Fahrenheit
Assumed Atmospheric Pressure	14.23 PSI
Pressure Base	14.52 PSI

Supercompressibility will be used when gas is metered at pressures of 35 PSIG or greater.

Madison Gas and Electric Company**Monitored Fuel Costs for 2008**

<u>Month</u>	<u>Fuel Costs</u>	<u>kWh</u>	<u>\$ / kWh</u>	<u>Cumulative \$ / kWh</u>
January	\$ 11,706,415	289,802,000	\$ 0.04039	\$ 0.04039
February	\$ 10,397,373	268,826,000	\$ 0.03868	\$ 0.03957
March	\$ 9,963,014	270,392,000	\$ 0.03685	\$ 0.03868
April	\$ 8,576,176	263,200,000	\$ 0.03258	\$ 0.03721
May	\$ 8,454,204	279,452,000	\$ 0.03025	\$ 0.03579
June	\$ 8,723,184	282,280,000	\$ 0.03090	\$ 0.03496
July	\$ 14,125,922	361,527,000	\$ 0.03907	\$ 0.03570
August	\$ 11,340,755	323,485,000	\$ 0.03506	\$ 0.03561
September	\$ 9,374,283	299,085,000	\$ 0.03134	\$ 0.03512
October	\$ 9,188,114	290,138,000	\$ 0.03167	\$ 0.03478
November	\$ 7,790,517	261,529,000	\$ 0.02979	\$ 0.03437
December	<u>\$ 9,454,473</u>	<u>293,454,000</u>	<u>\$ 0.03222</u>	<u>\$ 0.03419</u>
Total	<u>\$ 119,094,430</u>	<u>3,483,170,000</u>	<u>\$ 0.03419</u>	<u>\$ 0.03419</u>